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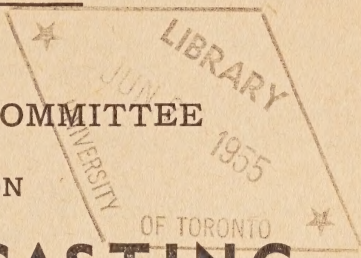
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(HOUSE OF COMMONS  
and Session—Twenty-second Parliament  
1955

Government  
Publications

SPECIAL COMMITTEE  
ON  
**BROADCASTING**

*Chairman: Dr. PIERRE GAUTHIER*



MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, MAY 12, 1955

FRIDAY, MAY 13, 1955

WITNESS:

A. Davidson Dunton, Chairman of the Board of Governors of the Canadian  
Broadcasting Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955.



**SPECIAL COMMITTEE  
ON  
BROADCASTING**

*Chairman:* Dr. Pierre Gauthier

*Vice-Chairman:* Mr. G. D. Weaver

and

Messrs.

Balcer  
Beaudry  
Boisvert  
Bryson  
Carter  
Cauchon  
Decore  
Diefenbaker  
Dinsdale

Fleming  
Gauthier (*Nickel Belt*)  
Goode  
Hansell  
Henry  
Holowach  
Kirk (*Shelburne-  
Yarmouth-Clare*)  
Knight

McCann  
Monteith  
Reinke  
Richard (*Ottawa East*)  
Richardson  
Robichaud  
Studer

R. J. GRATRIX,  
*Clerk of the Committee.*



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## MINUTES OF THE PROCEEDINGS

Room 118,  
THURSDAY, May 12, 1955.

The Special Committee on Broadcasting met at 11.30 o'clock a.m. this day. Dr. Pierre Gauthier, the Chairman, presided.

*Members present:* Messrs. Balcer, Beaudry, Boisvert, Decore, Dinsdale, Fleming, Goode, Hansell, Henry, Knight, Monteith, Reinke, Richard (*Ottawa East*), Studer and Weaver.

*In attendance:* From the Canadian Broadcasting Corporation: Messrs. A. Davidson Dunton, Chairman of the Board of Governors, J. A. Ouimet, General Manager, Mr. E. L. Bushnell, Assistant General Manager, W. G. Richardson, Director of Engineering, H. Bramah, Treasurer, R. C. Fraser, Director of Press and Information, G. Young, Director of Station Relations, D. Manson, Special Consultant, M. Carter, Executive Assistant, J. P. Gilmore, Coordinator of Television, S. Schnobb, Assistant Treasurer and J. A. Halbert, Assistant Secretary.

The Committee resumed its detailed examination of the Annual Report 1953-54 of the Canadian Broadcasting Corporation, the questioning of Mr. Dunton continuing.

Mr. J. A. Ouimet, General Manager, made a short statement on the accounting system and procedures followed by the Corporation and was questioned thereon.

The Annual Report 1952-1953 of the Canadian Broadcasting Corporation was tabled and copies distributed to members of the Committee.

Mr. Dunton tabled a letter dated October 23, 1952, addressed to him as Chairman of the Board of Governors, from the Assistant Auditor General, dealing with the books of account of the Corporation.

*Ordered,*—That the said letter be incorporated into this day's evidence. (*See evidence*).

Reference having been made to a report requested by the C.B.C. from P. S. Ross & Sons, Chartered Accountants, as to methods of improving the accounting system and procedures of the Corporation along the lines recommended by the Auditor General, and a discussion arising as to whether or not the said report should be tabled,

Mr. Monteith moved,

That the report of P. S. Ross & Sons, Chartered Accountants, having reference to the accounting system and procedures of the Canadian Broadcasting Corporation, be tabled.

After further discussion, Mr. Reinke moved in amendment thereto that all the words after "that" of the main motion be deleted and the following substituted therefor:

"That Mr. Dunton consult with P. S. Ross & Sons, Chartered Accountants, during the luncheon recess, to ascertain whether or not the said Company has any objection to the production of their report".

After discussion, and the question having been put, the said amendment was resolved in the affirmative on the following recorded division: *Yeas:* Messrs.



Beaudry, Boisvert, Decore, Hansell, Henry, Knight, Reinke, Richard (*Ottawa East*) and Weaver. *Nays: Messrs. Balcer, Dinsdale, Fleming and Monteith.*

Mr. Goode abstaining.

The motion of Mr. Monteith as amended was adopted.

At 12.55 o'clock p.m., the Committee adjourned to meet again at 3.30 o'clock p.m. this day.

#### AFTERNOON SITTING

Room 118,

THURSDAY, May 12, 1955.

The Committee resumed at 3.30 o'clock p.m. Dr. Pierre Gauthier, the Chairman, presided.

*Members present:* Messrs. Balcer, Beaudry, Boisvert, Bryson, Dinsdale, Goode, Hansell, Knight, Monteith, Reinke, Richard (*Ottawa East*), Studer and Weaver.

*In attendance:* Same as at the morning sitting.

The Committee resumed its detailed examination of the Annual Report 1953-54 of the Canadian Broadcasting Corporation.

Mr. Dunton informed the Committee that, as instructed at the morning sitting, he had communicated with P. S. Ross & Sons as to the production of their report on the C.B.C. accounting system and procedures and stated that they had no objection to its production before the Committee.

Thereupon Mr. Boisvert moved,

That the said report be tabled.

The motion being agreed to, the said report was tabled and copies distributed to members of the Committee.

It was agreed, in order to give members an opportunity to peruse the said report, that its examination be postponed until the next sitting of the Committee.

The examination of Mr. Dunton on the Annual Report was continued, Mr. Ouimet answering questions specifically referred to him.

At 4.10 o'clock p.m. Mr. Weaver, Vice-Chairman, took the Chair.

At 4.20 o'clock p.m., the division bells having rung, the Committee adjourned to attend the division in the House.

At 4.40 o'clock p.m., a quorum having again assembled, the Committee resumed the examination of Mr. Dunton on the Annual Report, Dr. Pierre Gauthier presiding.

*Members present:* Messrs. Beaudry, Boisvert, Bryson, Dinsdale, Goode, Hansell, Henry, Knight, Monteith, Reinke, Richard (*Ottawa East*), Studer and Weaver.

The examination of Mr. Dunton was continued, Messrs. Ouimet, Bramah and Schnobb answering questions specifically referred to them.

At 5.30 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m. Friday, May 13, 1955.



Room 118,  
FRIDAY, May 13, 1955.

The Special Committee on Broadcasting met at 11.00 o'clock a.m. this day. Dr. Pierre Gauthier, the Chairman, presided.

*Members present:* Messrs. Beaudry, Boisvert, Carter, Dinsdale, Goode, Hansell, Knight, McCann, Monteith, Richard (*Ottawa East*), Richardson, Studer and Weaver.

*In attendance:* From the Canadian Broadcasting Corporation: Messrs. A. Davidson Dunton, Chairman of the Board of Governors, J. A. Ouimet, General Manager, E. L. Bushnell, Assistant General Manager, W. G. Richardson, Director of Engineering, H. Bramah, Treasurer, S. Schnobb, Assistant Treasurer, M. Carter, Executive Assistant, J. P. Gilmore, Coordinator of Television, D. Manson, Special Consultant, R. C. Fraser, Director of Press and Information and J. A. Halbert, Assistant Secretary.

Mr. Ouimet answered a question, asked by Mr. Goode at the previous sitting, as to the total amount of television equipment bought from the United Kingdom.

Mr. Dunton in answer to a question, asked by Mr. Dinsdale at the last sitting of the Committee, tabled the following documents:

1. Press and Information Expenditures by Object, Sound Broadcasting and Common Services, from 1st of April 1953 to 31st of March 1954.
2. Press and Information Expenditures by Object, Television Broadcasting, from 1st of April 1953 to 31st of March 1954,

and was examined thereon.

Ordered,—That the said documents be printed as an appendix to this day's evidence. (*See Appendix "A"*)

Mr. Ouimet was examined on the P. S. Ross & Sons, Chartered Accountants, Report on study of accounting system and procedures of the Canadian Broadcasting Corporation, tabled at the afternoon sitting on May 12, 1955.

The Committee resumed its detailed examination of the Annual Report 1953-54 of the Canadian Broadcasting Corporation.

The examination of Mr. Dunton was continued, Messrs. Ouimet, Carter and Bramah answering questions specifically referred to them.


The Chairman brought to the attention of the Committee the fact that in all likelihood the Committee would complete its detailed examination of the Annual Report of the C.B.C. at the first sitting on Tuesday, May 17, and that at the last meeting of the Sub-Committee on Agenda and Procedure it had been agreed that Mr. C. W. Browne, Controller of Telecommunications, Department of Transport, be the next witness.

The Committee agreed that Mr. Browne be called for the afternoon sitting on Tuesday, May 17.

At 12.45 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m. Tuesday, May 17, 1955.

R. J. Gratrix,  
*Clerk of the Committee.*





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## EVIDENCE

MAY 12, 1955.  
11.30 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. We are to discuss finance; any questions?

**Mr. A. Davidson Dunton, Chairman, Board of Governors, Canadian Broadcasting Corporation, called:**

*By Mr. Goode:*

Q. I would like to ask Mr. Dunton one question. Has there been any role assigned to television in regard to Canadian civil defence?—A. Not specifically.

Q. The question is not particularly mine, but I noticed in one of the papers this morning that television in the United States is taking a major role in their overall civil defence picture, and I wondered if the C.B.C. had been working with the government on such an idea?—A. There have been discussions both at the federal level and with regional civil defence authorities about the part of broadcasting in civil defence.

Q. Are you talking now about sound broadcasting or television?—A. Both. Nothing has been decided?—A. Nothing specific, no.

Q. That is all.

*By Mr. Monteith:*

Q. Mr. Chairman, I wonder if we could have a brief outline of the accounting setup in the corporation; I mean, how many are in it and how many have accounting duties and so on?—A. The general manager will answer your question.

Mr. J. A. OUMET (*General Manager, Canadian Broadcasting Corporation*): I will start, and then I will ask Mr. Bramah to give you more detail than I could give you myself.

We have accounting offices in different locations but the head office of the accounting division, that is the treasurer's division, is located here in Ottawa with the other head offices of the corporations. We also have a major accounting office in Montreal, and we have a major accounting office in Toronto. We are at the moment in the process of decentralizing some of our accounting activities and we will have accounting offices in all the major studio points in Canada.

Our main system of bookkeeping or accounting—the main books of the corporation—are kept in Ottawa on what is called a cash system. In addition, we keep for control purposes an elaborate system of bookkeeping for the control of capital projects on a commitment basis, and also for the control and accounting of television operations on a commitment basis, and we are right in the process of establishing a similar system for sound broadcasting. In other words, we are extending to the sound operation the same system we already have for television. Therefore we have two systems; one on a commitment basis for control purposes and one on a cash basis for the main



books of the corporation, but this cash system is extended every year to provide an annual statement on the basis of accruals so our annual report is on an accrual basis.

Mr. MONTEITH: I am just wondering, Mr. Chairman, about some of these things which are mentioned in the Auditor General's report. I wondered what procedure you were going to follow in dealing with the finances. Will we take the Auditor General's report as being an overall coverage of the finances, and then take the balance sheet and operating accounts and so on? I had some questions concerning this accrual basis, which comes later in the Auditor General's report, so I wondered if it would be all right for Mr. Ouimet to continue now and ask questions later?

The CHAIRMAN: I think the committee will agree with that.

Mr. OUIMET: Do you want to ask me a question?

Mr. MONTEITH: No, just carry on.

Mr. OUIMET: All right. You were asking specifically, I think, about the size of this accounting operation of the corporation. We have about 120 employees here in Ottawa, and about 120 in the field.

Mr. MONTEITH: That includes Montreal and Toronto?

Mr. OUIMET: That is right.

Mr. MONTEITH: The statements, I presume are drawn up by the staff of the C.B.C.?

Mr. OUIMET: That is correct.

Mr. MONTEITH: For the audit by the Auditor General?

Mr. OUIMET: That is correct. You are speaking of the annual statement?

Mr. MONTEITH: Yes.

Mr. OUIMET: That is right.

Mr. WEAVER: Mr. Chairman, I am not quite sure what Mr. Ouimet means by "commitment basis", and I wonder if he would enlarge on it?

Mr. OUIMET: There are three major systems of accounting, each one with variations so that there are quite a number of shadings in between each system. The "cash" system of accounting is a system where you record your paid invoices, your payments or your cash receipts. When you work on an "accrual" system, you record your invoices and when you work on a commitment system, you record the commitment at the stage you commit the organization to a purchase, may be on the basis of a contract or a purchase order. Therefore the commitment system is one that goes further in the control in the sense that it records every commitment even if the invoice has not been received while the accrual system will record the invoice itself whether or not it is paid. The cash system records only the payment.

Now, as I said before, our annual statement is on an accrual basis. Our control for management purposes is on a commitment basis, but our main books are on a cash basis, during the year.

Mr. MONTEITH: There is no copy of the Auditor General's report with the 1951-52 statement; why is that? There is with the 1952-1953 and the 1953-1954, but not for the 1951-1952 report?

The WITNESS: I think that had to be published before we had the Auditor General's certificate which we have now, of course.

Mr. GOODE: Has there not been a meeting of this committee since 1951-1952, Mr. Chairman?

The WITNESS: Oh yes.



Mr. GOODE: That report would have been considered at the meeting of this committee?

The WITNESS: Just before the 1953 committee.

The CHAIRMAN: Yes, 1952-1953.

Mr. MONTEITH: I wonder if there is an extra copy of that report available—with the Auditor General's report for 1951-1952?

The WITNESS: I think we could get it, and I know you would find it in his general report to parliament in the public accounts.

Mr. MONTEITH: I could not find it there. Perhaps I am crazy, but I could not find it. In the 1952-1953 report, for instance, he refers to certain things which are mentioned in the 1951-1952 report.

The WITNESS: Yes. We have it on page 53 of the Public Accounts of Canada for the year ending March 31, 1952.

Mr. FLEMING: Could you just read it into the record; is it long?

The WITNESS: It is about the usual length—a page of the usual small type.

Mr. MONTEITH: I would like to hear it.

The CHAIRMAN: Do I understand that you want this information put on the record?

Mr. GOODE: Which one are we asking for, Mr. Chairman?

Mr. MONTEITH: 1951-1952.

Mr. GOODE: Why do we ask for that report?

Mr. MONTEITH: Because there are references in the 1952-1953 report to items mentioned in 1951-1952.

Mr. GOODE: I have great respect for my hon. friend, but how far are we going back? This thing was discussed in 1953. We now have Mr. Sellar's report dated 1954. How far are we going back on the investigation of this thing? I am quite sure Mr. Monteith has some reason for asking for this, but are we going to start discussing the 1951-1952 financial report at this time? Surely we have enough to do now.

Mr. MONTEITH: I do not particularly want to discuss the financial statement of that period, but I would like to get on the record certain information and I would like to find out exactly what was in the Auditor General's report because in the 1952-1953 report he makes references to his 1951-1952 report.

Mr. FLEMING: The fact of the matter is that the Auditor General's report that is now mentioned for the year 1951-1952 was never before the committee as such. It has never been considered or drawn to the attention of the committee and apparently there were some observations made by him in that report to which he draws attention in later reports such as the one that is now before us. Therefore it is obviously incumbent upon this committee to look back upon what he said at that time, because it has not engaged the attention of this committee previously.

The WITNESS: I would just like to point out that this was certainly available to the 1953 committee. I am not arguing the point, but it certainly was available at that time.

Mr. GOODE: Was it discussed by the 1951-1952 committee?

The WITNESS: I remember certain references to some subjects.

Mr. GOODE: So do I. I am not going to object to it being put in here. I am quite sure we could rely on the discussion of Mr. Fleming and Mr. Monteith, but I think there should be a limit somewhere on how far we are going back in our investigation.



Mr. MONTEITH: If it is set out on page 53 of the Public Accounts with all the details, I shall not insist that it be read in because I can always go back to the Public Accounts, but I just could not find it.

The WITNESS: It is on page 53 of volume II of the Public Accounts.

Mr. MONTEITH: I guess that is where I missed out. In the 1952-53 report the Auditor General mentions: "In recent years audit verification of moveable assets was impracticable as no stocktakings had been made. However, it was noted in the 1951-52 report that one was then in progress. This was completed during the 1952-53 fiscal year, and it was found that there were items on the books to a value of \$91,931, which were not reflected in the stocktaking. An investigation of the discrepancy, commenced by the corporation, had not been completed at the close of the audit." I am wondering what explanation there might be for those items which were on the books, but for which there was nothing reflected in the actual stocktaking?

The CHAIRMAN: Would you indicate the page from which you are taking this information for the benefit of the reporter?

Mr. MONTEITH: Page 51 of the 1952-1953 report.

Mr. GOODE: If this is going to be question, Mr. Chairman, I would ask that the committee be supplied with copies of the 1952-1953 report as there may be some questions which others would like to ask.

The CHAIRMAN: Can you supply us with copies of this report?

The WITNESS: I think we have some available and we could have them sent over.

Mr. GOODE: I would like to be in the same position as Mr. Monteith.

The WITNESS: We could have the reports in ten minutes.

Mr. MONTEITH: Would you care to comment on that item, Mr. Ouimet?

Mr. OUMET: This paragraph in the Auditor General's report deals with the two sets of accounts of bookkeeping; first of all, the set of inventory cards kept by the engineering division in Montreal, and secondly the main books of the corporation kept in Ottawa. For a period of about 15 years there was no reconciliation attempted between the two sets of records because they were used for different purposes. One was purely for the control of the fiscal inventory and that was done in Montreal by the engineering division. The other was the main system of books of the corporation kept here in Ottawa. As we grew we found it necessary to go further into our accounting practices, and we started to attempt a reconciliation of these accounts. After 15 years you can imagine the problems involved in dealing with some \$10 million of assets. The reconciliation was a lengthy process, and at the time the Auditor General came there were items in the amount of \$91,000 which had not been reconciled. This is not to say that there were items missing of that amount. It was simply a matter of reconciling the two sets of books which had been kept independently over a long period of time. This work is now nearing completion and the amount has been reduced to some \$7,000.

Mr. MONTEITH: It is still not completed, I take it?

Mr. OUMET: It is a question of deciding whether we will call it quits at \$7,000 or whether we will spend more money in an attempt to bring it down to the last cent. You are dealing here with a reconciliation of large amounts over a period of many years. For example, it may be a question of differences in coding, and differences in the accounting practices of two independent sets of books, one kept for the purpose of keeping control of the physical inventories and the other for the purpose of keeping a record of the assets of the corporation as part of the main books of account.



Mr. MONTEITH: I wonder if Mr. Ouimet could tell us if any interim audit is conducted on the books of the C.B.C. I understand the Auditor General does go in periodically to various other departments and corporations of the government and I just wondered if that situation applied to the C.B.C.?

Mr. OUIMET: We have no audit outside of the one conducted by the Auditor General from outside the corporation, but we have our own department of internal audit.

Mr. MONTEITH: You have your own internal auditors who go around independently?

Mr. OUIMET: But the Auditor General's representatives do come in and out during the year.

Mr. MONTEITH: They do? That is what I meant.

Mr. OUIMET: Yes. It varies from year to year, but they are in quite frequently.

Mr. MONTEITH: In the 1952-53 report there is a reference to the allowance for depreciation and obsolescence. The Auditor-General says: "In the 1951-52 report it was suggested that when stocktaking was completed action be taken with respect to rates of depreciation and obsolescence, since the appropriateness of the accumulated allowance was open to question for the reason that the rate used through the years had never been scientifically established nor consistently applied." Then he adds: "The comment still applies."

Now, in the 1953-54 report he says: "Still applicable is the comment in previous reports to the effect that the appropriateness of the accumulated allowance for depreciation and obsolescence is open to question for the reason that the rates used through the years have never been scientifically established or consistently applied." Has the corporation done anything about that comment?

Mr. OUIMET: Yes, we have. We believe we now have a system of depreciation which can be properly labelled "scientific" and this is being recommended to our board for approval.

Mr. MONTEITH: Could we have those rates?

Mr. OUIMET: Yes. These are still in the process of recommendation and are not approved by the board as yet. I do not have a copy of this, so I will read it.

Mr. MONTEITH: How many different types of rates do you have?

Mr. OUIMET: When you come to the so-called scientific process of determining those rates, things get more complicated. There are about 23 different items and rates.

Mr. MONTEITH: I do not think we need the details of that at the moment, but I would like to know why the preparation of this recommendation took so long in order to arrive at those suggested rates and so on. Apparently the comment was made in 1951-52 and was repeated in 1952-53 and again in 1953-54, and the recommendation has still not actually been made to the board.

Mr. OUIMET: These rates will apply to next year, and will take care of anything in the future. The reason it has taken time is simply because we have been going through a period of great development within the C.B.C. With the advent of television we doubled and nearly tripled our activities and had to use our staff for the most urgent things, the most urgent being the setting up of a new television system on a proper basis. Then as soon as we could we gave time to these other questions.

Mr. MONTEITH: Well, it seems to me, Mr. Chairman, that prompt attention should be given to this sort of thing. Depreciation, after all, reflects the true



picture of profit and loss and unless you have a proper set-up for depreciation and obsolescence you do not actually show the true profit.

I would like to read another comment from the 1952-53 report: "Books of account. The accounts are kept on a cash basis except at the year end when accruals are entered in order that the annual financial statement may be prepared. The reason given by the corporation's officers for not maintaining the books on an accrual basis, as is generally the practice in corporate accounting, is that the cash basis better serves the corporation's internal administrative requirements." I can only comment that I have known small corporations—such as a cross-corner grist mill or something of that nature—keeping their books on a cash basis, but I cannot understand a corporation the size of the C.B.C. doing that.

Mr. OUIPET: If we were keeping them solely on a cash basis, I could agree with your suggestion, but we have a complete system of control independent from this cash basis of accounting which serves the purpose of management for control. I would not really like to defend too much one method against the other because this again is in the process of being studied and we feel, frankly, that we should go even further than suggested by the Auditor General and put our system on a commitment basis. Already it is two-thirds on a commitment basis, but we have to decide whether or not we are going to put the whole thing on a commitment basis.

Mr. MONTEITH: In accounts receivable for customers and so on—broadcasting time sold, etcetera, is that on a control basis?

Mr. OUIPET: What do you mean?

Mr. MONTEITH: Is it on a control basis?

Mr. OUIPET: Yes.

Mr. MONTEITH: When a billing is made there is some master account to which the total billing for a certain day goes and that sort of thing?

Mr. OUIPET: As far as control goes, I believe I can say we are going even further than any other company of which I have knowledge. I believe the Auditor General's remarks refer to the question of whether or not the main books of the corporation should be prepared on a cash basis or an accrual basis. As you know, amongst bodies similar to the C.B.C.—public utilities, civic bodies and federal bodies, whether in Canada or in other countries—and I believe the government departments themselves have to use a system of commitments and cash and do not use the accrual system.

Mr. MONTEITH: I do not know of any corporation which does that.

Mr. OUIPET: A commercial corporation generally uses the accrual system and we are trying to determine at this stage—and we have had some consultants to advise us in this respect—whether we should go to the full system which would be the triple system of commitments, accrual or cash, or whether we can serve our purposes best by having a modified commitment basis, or a modified cash basis which would give us the same thing as having the complete three-way system.

Mr. MONTEITH: Did I understand you to say you were having some consultants advise you in this regard?

Mr. OUIPET: We have had some.

Mr. MONTEITH: They have advised you on that matter?

Mr. OUIPET: Yes.

Mr. MONTEITH: This is aside from the Auditor General's department?

Mr. OUIPET: Yes. Of course all these questions have been discussed with the Auditor General and it was felt after the discussions that it would be in the interest of the corporation to have consultants.



Mr. MONTEITH: Who are the consultants?

Mr. OUIMET: P. S. Ross and Sons.

Mr. MONTEITH: Did you consult the government before consulting P. S. Ross and Sons?

Mr. OUIMET: We do not consult the government in matters of internal policy.

Mr. MONTEITH: The following reference appears on page 51 of the 1953-54 report:

Weakness having been noted in the accounts, this office wrote to the Chairman of the Board of Governors on October 23, 1952 with supporting details and concluding with the words: ...it is suggested that the system be carefully reviewed, and appropriately revised and co-ordinated so that there may be no need to qualify the audit certificate in this regard. Subsequent action by the Corporation not having been of a nature to remedy the situation, the manner in which the accounts were kept during the fiscal year ended March 31, 1954 was not found to be conducive to satisfactory audit.

Is there any reason why we should not see this letter of October 23, 1952?

The WITNESS: I do not think so.

The CHAIRMAN: A question was put in the House about these letters, and it was not answered in the affirmative. I believe it was asked by Mr. Fulton.

Mr. FLEMING: I think his question was much broader and had to do with an exchange of all correspondence.

The CHAIRMAN: But Mr. Monteith is now asking for a letter, and I would like to have the opinion of the committee on that.

Mr. FLEMING: Obviously the original letter is in the hands of the C.B.C.

The CHAIRMAN: I would like to have the opinion of the committee just the same.

Mr. RICHARD (*Ottawa East*): Has Mr. Dunton expressed an opinion on it as yet?

The WITNESS: We would not see any objection since it is referred to in the public report of the Auditor General.

The CHAIRMAN: There is no objection?

The WITNESS: No.

The CHAIRMAN: Does the committee agree?

Some Hon. MEMBERS: Agreed.

The WITNESS: We have some copies right here, Mr. Chairman.

The CHAIRMAN: I believe you must have anticipated that question!

The WITNESS: Everyone has to do some guessing at times.

Mr. FLEMING: Could it be put on the record at this time rather than just inserted as an appendix, because it would make better reading in the sequence of questions.

The CHAIRMAN: It is agreed that the letter be placed on the record at this point?

Some Hon. MEMBERS: Agreed.

Mr. MONTEITH: I wonder if we could have it read?

The CHAIRMAN: Mr. Monteith asks that the letter be read by Mr. Dunton. Is it agreeable to the committee that the letter be read at this point?

Mr. MONTEITH: I do not have a copy of the letter.



Mr. FLEMING: I think Mr. Dunton might give Mr. Monteith a copy since he has been asking questions about it.

The WITNESS: I have an extra copy which he may have.

The CHAIRMAN: You are a good boy.

The WITNESS:

Ottawa, October 23, 1952.

A. D. Dunton, Esq.,  
Governor and Chairman,  
Canadian Broadcasting Corporation,  
Ottawa, Ont.

Dear Sir:

Part VIII of the Financial Administration Act having been proclaimed effective as from October 1, 1952, the auditors of Crown corporations now are required, by Section 87, to report more extensively than before. Among other things, they are to report whether proper books of account have been kept. I now write as you may wonder what is the position in so far as the C.B.C. is concerned.

At present the accounts do not conform with accepted corporate accounting practice. They are on a cash, rather than an accrual basis. In consequence, they do not show month by month the financial state of the assets and liabilities, neither do they correctly disclose what are the to-date revenues and expenditures for the year. Furthermore, information provided monthly for the guidance of management, which normally would and according to accepted accounting practice should be available from the books of account, is assembled in memorandum records not controlled by the books subjected to audit by this office.

An interim test-audit for the five months ended August 31, 1952 revealed several unsatisfactory features as exemplified by the following:

(1) It is the practice at the close of each fiscal year to credit accounts payable with the invoices then unpaid and to charge the relative expense and asset accounts. In effect, this places the accounts on an accrual basis at the year end. Therefore, to return them to a cash basis, it is necessary at the beginning of a new year to make a reversal of this entry. At the time of the audit such a reversal had not been made. As a result, the balance shown as owing for accounts payable included accounts paid several months ago.

(2) Claims made over several months for reimbursement of expenditures for the International Short-wave Service were not entered; consequently, the repayment received from the Government appeared as a liability of \$272,050.

(3) Although more than \$4,800,000 had already been received, no revenue from radio license fees was reflected in the accounts; instead the amount was incorrectly shown as a liability to the Department of Transport.

In view of the foregoing and because the accounts do not provide adequate internal control, it is suggested that the system be carefully reviewed, and appropriately revised and co-ordinated so that there may be no need to qualify the audit certificate in this regard.

Yours faithfully,

(sgd) J. Hopkinson  
Assistant Auditor General.



Mr. MONTEITH: Under what date were P. S. Ross and Sons requested to come in?

Mr. OUMET: In the fall of 1954.

*By Mr. Monteith:*

Q. In the autumn of 1954? Approximately two years have elapsed since the date of this letter pointing out in some detail why this cash system does not work satisfactorily. The fact that two years have elapsed before the matter has been gone into does not look to me to be sound practice.—A. May I comment on that? You will remember that the fall of 1952 was the beginning of television. Our treasury department was heavily loaded with work in connection with television. In addition there have had been a great deal of extra work caused by collective bargaining involving things like overtime payments and bi-monthly cheques instead of regular cheques. In addition, as the general manager has said, our management was instituting a much more complete and complex system of control over television expenditures which, as he explained, went a good deal further than what was suggested by the Auditor General. It went right to the recording and reflecting of commitments and not just of accrued accounts payable.

In view of that, there was some discussion between officials of the C.B.C. and the Auditor General's office. It was understood that the matter was not urgent in view of all the other circumstances but that it should certainly be considered and gone into. That was the view our board took. We felt we should certainly go ahead and look into the question of accrual—although in our opinion not only on an accrual basis. Consideration was also given to going even further to a full commitment system perhaps right through the corporation as well as for television.

Q. It still seems to me that in the light of what is set out in this letter and the fact that you ultimately did hire P. S. Ross and Sons to come in the fall of 1954 that they could well have been on the job considerably earlier with a view to correcting this situation as set out by the Auditor General?—A. As I say, there were discussions at the time with officials of the Auditor General's department and it was understood—and perhaps it was a misunderstanding—that it was not an urgent matter or it was not considered urgent. After all, the books had been kept on this basis since the inception of the corporation. In view of all the other pressures and the much more complete measures taken—they wanted to see how the more full controls would work—it was decided that it would be satisfactory not to go into this complicated question of the formal books going on either an accrual or perhaps a commitment basis for a limited period of time. Hind sight is better than foresight, and it probably would have been better in spite of the other things to have gone ahead with the added complication of the study of the methods, but it was thought by the management and board at the time and it was understood by them that the important thing was to make sure our management had a chance to develop really effective control in the complicated field of television and concentrate on that rather than contemplating a possible change in the formal head office books of accounting.

Q. Was this situation as set forth in this letter discussed with the minister responsible for the corporation?—A. There is no such minister. We have certain relations under the Act with the minister of the Crown who is Dr. McCann, but the corporation has its own responsibility to parliament.

Actually the question of the accrual basis was discussed with a number of authorities in the financial and account fields around Ottawa and I might say a number of different opinions were expressed about the relative merits of a theoretical and practical basis of cash versus accrual or commitment formulae of accounting, and that was another reason that swift action was not taken.



There seemed to be a difference of opinion and it was felt we would have to wait for a thorough study of the matter. It was thought that a study would be much more valuable after the television set up had been working for a while with the much more complete system of full accounting.

Q. It does seem to me that valuable time has been lost and I do not think I could agree with any of the opinions which might have been expressed as to the cash basis continuing.—A. I do not want to go into it formally, but there were quite a number of opinions. I might point out that the corporation is not a straight profit and loss kind of commercial company, as you seem to indicate.

Q. But it is a corporation that should have good solid accounting?—A. I perfectly agree with that, but I think consideration should also be given to the methods of revenue and of expenditure. The revenue, as you know, comes from two main sources; through public channels and through commercial channels. We cannot make the strict comparison between the cost of sales and proceeds of sales—in other words, profits. However, we have to have and we do have complete control over expenditures relating to the television side of the corporation. An example of the complications which arise is this. As you know, we are not an ordinary corporation, and we have an international service. The government insists that our accounting to them on that be on a cash basis.

Q. That is perfectly all right—all you need is an accounts receivable...—

A. That is the way it works; it is not an insurmountable obstacle.

Q. All you need is an accounts receivable control rather than a separate set of books to distribute the information?—A. We show our year end statement on the accrual basis for our international service, but our dealings with the government are on a cash basis.

Q. The authorities in Ottawa with whom you discussed the matter—were they governmental sources?—A. Yes, but I would not really rely on them because—

Q. I would not either!—A. Well, as I say, we decided last fall to engage a consultant and our management went to P. S. Ross and Sons to ask for a study. As you can see, there is already a difference of opinion between that expressed by the Auditor General and that indicated by the results so far of the study of the chartered accountants, who are inclined to think our concentration on commitments is good and that we should consider after further study a more complete concentration on commitments.

Q. Have there been any interim reports from Ross and Sons?—A. Yes.

Q. Could they be produced to the committee?—A. I do not know the views of the committee.

The CHAIRMAN: What are the views of the committee on the question asked by Mr. Monteith that the interim report of Ross and Sons be produced before the committee?

The WITNESS: Perhaps I might give our view about this matter. I think it would be unfortunate if it were taken that any report the corporation had made for it would necessarily be made public. It might present difficulties and we might not get the kind of report or memorandum from the different people which we would like to get. In this case it is a study of a general system of accounting, and it does not, of course, go into particular transactions or anything of that nature. We have not consulted the firm but I do not imagine they would object. We have no particular objection in this instance.

Mr. BEAUDRY: I submit that an interim report would not necessarily be conclusive, and I fail to see the use of an interim report being studied at this time.



Mr. FLEMING: I take it, Mr. Chairman, that the members of the committee know the difference between interim and a final report and could assess it as such.

The WITNESS: It is not a question of an interim or final report. They were asked basic questions concerning cash, accrual and commitments and so on, and I think it is right to say that they gave their answers to the questions. However, a number of questions arise from carrying that out, and our management would want further opinions from them as to the practicality and the cost and the method of carrying out some of their recommendations. There was also a recommendation concerning the difference in the opinions expressed in brief form by the Auditor General and what chartered accounts say.

Mr. GOODE: I would take the position that Mr. Fleming took, that most of the committee would know how to assess these reports. Most of us have had experience on some of these things and can assess values. This is an interim report and although it is perhaps strange coming from me, I would suggest we should not have an interim report but should wait for a complete report.

The WITNESS: I perhaps did not make it clear that this is not an interim report. This is simply a report in which they answer questions asked by us. We are going to ask for further information, advice and study from them, arising out of certain suggestions they have made in their first report.

Mr. BOISVERT: Were they asked to give their opinion on certain matters referred to them?

The WITNESS: Yes.

Mr. BOISVERT: So it is a matter of opinion then and it is not a matter of an examination of the accounting of the corporation?

The WITNESS: No, it is not a matter of seeing where the last dollar went. It is a matter of looking into the question raised by the Auditor General concerning the system and the widely different opinions expressed by various accounting authorities.

Mr. RICHARD (*Ottawa East*): It is not an interim report but is an answer to certain questions you put to them? It is something on which you could change your opinion later. I would be worried about having an interim report produced because it might be the basis for a final report and often times in the light of further information accountants could say, "We were mistaken; now we have the whole picture." Is that not so?

The WITNESS: They gave their opinion; I do not think chartered accountants change their opinions in regard to what they are asked to do, but as they and our management know, a number of practical suggestions may arise from their recommendations. In addition, some of their answers do not seem to jibe with the opinion of the Auditor General and there are further considerations with regard to the cost of carrying things out. They might make further recommendations which would constitute modifications of the more general comment set out in the first study.

*By Mr. Fleming:*

Q. You are now in a position to give us your observations in regard to the recommendations so if there are any thoughts the C.B.C. has in this connection or any reservations which attach to the views expressed by Ross and Sons you are in a position here to make them known, are you not?—A. Yes.

Q. Therefore I do not think you need to be too concerned about that. Mr. Dunton would be given a full opportunity to make comments on these recommendations. In cases of this kind where recommendations are given to a



corporation, the corporation which receives them must review them and some consideration must be given to putting the recommendations into effect.—A. A very practical question arises in some cases not only as to the theoretical desirability, but as to the cost of doing things and we have to wait in some cases to discover if the cost of further controls are worth it and as to whether we might spend more money on extra control than might be saved which is a thing our management has to work on.

Q. I think the matter is quite clear, Mr. Chairman. The committee should receive these recommendations and Mr. Dunton would be allowed the full opportunity to make whatever observations he wishes as to the practicality of implementing the recommendations as the management of the C.B.C. views them.

The CHAIRMAN: I asked for the views of the committee because Mr. Dunton expressed a certain amount of doubt about the advisability of presenting the interim report.

Mr. FLEMING: I do not think he did.

The WITNESS: Not very much doubt. I am not suggesting that every report the corporation receives would be a suitable one to produce, but in this particular case we see no objection and we understand the firm would not object although we have not consulted them about this.

Mr. GOODE: You do not have to argue this matter in the House of Commons, and I do not want to see any arguments there based on a report that is not complete. Mr. Sellar says in part in the 1954 report. "The financial statement—the balance sheet—and the statement of income and expense, respectively, give a true and fair view of the state of the corporation's affairs as at March 31, 1954." Those words appear in the certificate of Mr. Sellar.

Mr. MONTEITH: "Subject to the foregoing."

Mr. GOODE: But just a moment. I do not think the committee should accept the interim report about the new type of bookkeeping. My concern is cleared considerably by the fact that Mr. Sellar says that he has a true and fair picture of the affairs of the C.B.C. I think Mr. Dunton has given a reasonable explanation why this has not been put into effect and I think we should allow this firm of accountants employed by the C.B.C. to complete their work and then let us look at it.

Mr. WEAVER: I think it is more or less up to Mr. Dunton at the present time, and if he wishes to present it it would be in order for him to do so. However, I do not think at this time the committee should ask him to present it. If the committee later on were to hear the Auditor General and the Auditor General were to say he was satisfied that everything was in order, there would be no occasion to present it. If he were to say he did not think it was in order that would be the proper time for the committee to ask for it, but this is not the time.

Mr. FLEMING: Has the Auditor General seen this report of P. S. Ross and Sons, Mr. Dunton?

The WITNESS: I do not think so.

The CHAIRMAN: You mean the interim report?

Mr. FLEMING: Mr. Dunton has said it is not an interim report.

Mr. MONTEITH: It is answers to questions.

The WITNESS: No, he has not seen it.

Mr. FLEMING: How many reports of P. S. Ross are there?

Mr. OUIMET: How many copies?

Mr. FLEMING: No, how many reports?

Mr. OUIMET: Just one.



Mr. FLEMING: Do we understand, Mr. Dunton, that this is not an interim report, but is a report in answer to certain questions submitted to that firm by the C.B.C.?

The WITNESS: Yes.

Mr. BOISVERT: What is the date of the P. S. Ross report?

Mr. OUMET: February 7.

Mr. FLEMING: 1955?

Mr. OUMET: Yes. This report is complete, but we are still discussing matters with the same firm which have to do with the practical application of some of the recommendations. We are considering particularly the costs of putting these recommendations into effect, and that has been our main concern all along. Regardless of whether they are improvements suggested by the Auditor General, or the consultant, or improvement which we have thought of ourselves, we must consider the cost.

Mr. FLEMING: That is practical, naturally. I do not know why all the fuss is being made because it is quite clear it is not an interim report. It is a report in which P. S. Ross and Sons give their considered answers to questions submitted to them by the C.B.C. We have Mr. Dunton and Mr. Oumet before us, and both are perfectly capable of acquainting us with the kind of consideration that the C.B.C. is applying to the recommendations of P. S. Ross and Sons as to the practicality and the economic value of implementing these recommendations. Surely we are not going to be denied the opportunity of considering this report and hearing what the C.B.C. has to say about it.

Mr. RICHARD (*Ottawa East*): But we are going beyond the financial report of 1953-54 when we look into matters which occurred in 1955. The report of Ross and Sons was made in 1955.

Mr. FLEMING: But it deals with the whole system which has been in effect throughout the years. We are also dealing with a report of the Auditor General with respect to the fiscal year ending March 31, 1954 which is presented in the certificate attached to the report before us. I cannot understand why all the fuss is being made.

Mr. RICHARD (*Ottawa East*): I do not see any real objection in view of the reservation made by Mr. Dunton that no conclusions can be reached as to the practicality and the cost of the opinions—however, subject to that I see no real objection if these are simply answers to questions except as to the practicality and the cost.

Mr. HANSELL: Mr. Chairman, do I understand that Mr. Dunton has no objection to the report being produced?

The WITNESS: As far as we are concerned, and in this particular case, we have not.

Mr. HANSELL: I do not see any reason why it should not be produced. May I make one observation? On two occasions this morning, the suggestion has come from members that we should not go back too far in our investigation of certain matters. I hope we do not establish a principle of that nature here this morning because there is nothing in the terms of reference which confines us to the last year or the last two years. Furthermore, if we are to do our work properly, we should be able to go back as far as we wish—100 years if necessary. If we establish the principle which has been suggested our hands will be tied in respect to other matters. We may not be able to go back and discuss, for instance, the Aird report of some years ago. I make this observation because this principle is very serious. I think we should be able to go back and discuss whatever we wish at any time and on any subject.

The CHAIRMAN: Any other questions?

Mr. BEAUDRY: I would like to suggest that we are discussing a report which contains some comments of the Auditor General to the effect that the system should be reviewed and coordinated. There is a further statement to the effect that subsequent action of the corporation has not been forthcoming as at March 31, 1954. Further to that, Mr. Monteith and Mr. Fleming say to Mr. Dunton, "Have you done anything further since then?" And the answer has been "Yes." This "something further" occurred later than March 31, 1954 which I submit is the limit of our present examination.

The question was, "Have you done anything further," and the answer was "Yes, we have dealt with P. S. Ross and Sons." The negotiations with P. S. Ross and Sons are finalized to a point in February 1955 which I submit is not within the scope of our present examination beyond the statement, "Yes, we have done something further."

Mr. FLEMING: Mr. Chairman, I am going to make a comment on that. I think that is the most outlandish statement I have heard in this committee to date. Look at the terms of reference—where on earth does Mr. Beaudry get the weird idea that we stop at March 31, 1954, a period 16 months ago. We are examining the period 1953-1954.

The terms of reference do not contain any date at all. There is no suggestion about a cut-off date, and I would remind Mr. Beaudry if he looks over the exhibits already received since the committee began to sit six weeks ago, that we have had a number of statements about things which have happened since the end of 1954—lists of programs, statements of policy, and everything under the sun. This is a brand new notion about cutting off dates, and I do not know why such a fuss is being made when Mr. Dunton has indicated he has no objection to producing it. This is in no way an interim report as was suggested earlier. It appears there is an invincible allergy on the part of some members and the moment a report is mentioned they are against anything being tabled. I respectfully suggest to them that is drawing attention to something that might very well be allowed to take its natural course. Nobody is suggesting that this report should be received as final. The suggestion is that this is a report which the C.B.C. of its own decision decided to obtain. It has obtained it, and it does not accept all of it. The C.B.C. has its own views as to the practicality and the economic value of the suggestions. As a committee, in receiving the report, we are not going to assume that the report is absolutely valid in all respects and unanswerable. We are here today to hear what the C.B.C. has to say about it. In all fairness we should hear their views and give the C.B.C. an opportunity to make any statement they like as to what they are doing to meet the strictures passed on their accounting system by the Attorney General. If they can give us good answers as to the course they are following, then I think the committee would be failing in its duty if it failed to receive the report. From my knowledge of these gentlemen, I might say they are only too anxious to give this committee as representing the House of Commons a full statement of what they are trying to do to meet the strictures passed on their accounting system by the Attorney General. I think it would be a gross injustice to the C.B.C. if they are denied the opportunity of giving the full information to the committee which they should do.

The CHAIRMAN: As I usually do, Mr. Fleming, I asked the committee concerning the production of the report. Every time something is to be produced in the committee I invariably ask for the thinking of the committee. I did not make any fuss about it but I simply asked the committee if they were agreeable to the production of the report.



Mr. FLEMING: My remarks were not made upon your comments but upon some of the other things which have been said here this morning. Your conduct has been perfect.

The CHAIRMAN: The committee is all powerful because I am in their hands if they want the report produced.

Mr. FLEMING: My observations were made with a view to putting this thing in a fair light. The only fair course is to let the C.B.C. put the report before us and make their own comments on it.

The CHAIRMAN: But you understand that others have different opinions.

Mr. GOODE: My opinion is based entirely upon this statement contained in the terms of reference: "That a select committee be appointed on broadcasting to consider the annual report of the Canadian Broadcasting Corporation and to review the policies and aims of the corporation and its regulations, revenues, expenditures and development, with power to examine and inquire into the matter and things herein referred to—" That is all that the terms of reference say. Perhaps I am the last one who should ask for something to be kept out of this report, but I do attempt to stay within the terms of reference as passed. While talking about fair comment, I must point out there has been some suggestion in this committee that there has been a political interpretation of some of the things the C.B.C. has done. Mr. Monteith this morning on two occasions brought up the fact that there could have been some doubt as to whether Mr. Dunton conferred with the minister with regard to the internal affairs of the C.B.C.

Mr. MONTEITH: There was nothing political about that. I simply wanted to know if he had gone beyond his own board.

Mr. GOODE: Mr. Monteith made some comment about political sources and I am still going to question Mr. Dunton on that matter, but our terms of reference have been set down and we should stay within them. How far are we going to go with the thing? We will be here for six months if we keep this up.

Mr. WEAVER: In view of what Mr. Fleming has said, Mr. Chairman, I do not see that there is any inconsistency with his point of view, and the situation at the moment. The committee certainly should be ready to accept anything that Mr. Dunton wishes to present to it, and should allow the C.B.C. to express its point of view. If he wishes to present this report in order to express the point of view of the C.B.C. at the moment, the committee would receive it. I do not think the committee should at this time say, "You must show it to us." This is not the time for the committee to say, "We want to see it whether or not you want to show it to us—" but if Mr. Dunton wishes to present it we should receive it.

Mr. GOODE: I cannot agree with Mr. Weaver. The solution to the whole report of this committee is not fought on this committee floor at all, but in the House of Commons where I am quite sure Mr. Dunton will not be present to answer questions. We will have to discuss this report and our findings in the House of Commons where some of us have had some experience and know that if this report is an interim report—or call it by any other name—

Mr. MONTEITH: That sounds like a political inference!

Mr. GOODE:—and I think the report should be complete. I object to it being brought up.

Mr. FLEMING: So you would deprive the C.B.C. of the opportunity of fully reporting to this committee on what it has been doing to put into effect or to meet the strictures of the Auditor General and you would cut off the C.B.C. as at March 31, 1954 and not permit them to tell this committee what it has

done since or why it has not done certain things? I think it is a very serious injustice to the C.B.C. to deny them this opportunity.

Mr. GOODE: Again following Mr. Fleming's words, he said, "if they could fully report." My understanding is that they cannot. Some of the things have been discussed and some have not been brought in so they cannot fully report on it.

Mr. FLEMING: But wait a moment; I think my friend has missed what I said. May I recapitulate what was said by Mr. Dunton for my friend Mr. Goode.

Mr. GOODE: I am talking about what you said—

Mr. FLEMING: Mr. Dunton and Mr. Ouimet stated that this is not an interim report. Mr. Dunton made it very clear that it is not an interim report but a report submitted to the C.B.C. by P.S. Ross and Sons containing the answers of that firm to questions submitted to them by the C.B.C. for their information. Surely we want them and we want to know what the C.B.C. thinks about them and whether they are in favour of them or against them and the reasons for it. It is only in fairness to the C.B.C. Surely members at the other table would like to hear expressed the views of the C.B.C. in regard to what they are doing to meet the strictures of the Attorney General. The C.B.C. is trying to tell us this morning that they have done something about it. They engaged the firm of P.S. Ross and Sons last fall. Surely the matter is not going to just die there. They should have the chance to tell us—as they should do—what they have done in completeness in the light of the strictures of the Attorney General.

Mr. BOISVERT: I would just like to say a few words. First, I think it is up to the witness to declare whether or not he is in favour of the production of the documents and secondly I do not think the witness is able to do so without having the consent of P.S. Ross and Sons.

Mr. REINKE: Exactly.

Mr. BOISVERT: That is the position I am taking this morning. I do not like to hear some of the expressions we have heard this morning. We all cannot share Mr. Fleming's opinion and views and in not doing so we are not fussing because there is no fuss. We are entitled to an opinion of our own without being accused of fussing. I do not think it reflects the attitude that we are taking before this committee. We are trying to throw as much light on the subject as is possible and I think Mr. Fleming should try to restrain from those expressions which sometimes slip from his tongue. That is all I have to say. I do not think Mr. Dunton can produce the report without the consent of P. S. Ross and Sons.

Mr. MONTEITH: I think that is ridiculous—I never knew of any accountants' report which would not be made public. The only qualification is that it must be published in its entirety.

Mr. BOISVERT: A lot of matters are confidential between the accountant and his client and between lawyers and their clients and this report may be of that type which was given confidentially to the corporation.

Mr. FLEMING: But that is not what Mr. Dunton said.

Mr. RICHARD (*Ottawa East*): I did want to speak right after Mr. Fleming and to indicate that I am familiar with his wanton use of adjectives. It is just a habit with him and I no longer pay any attention to it. I think Mr. Fleming should have added, however, in making his remarks that those were answers to certain questions—that Mr. Dunton did say also, "I am not in a position at this time to say how practical those things are which they have mentioned or if they can be adopted in view of the cost and I will be able to answer certain questions in that regard."



Mr. FLEMING: He did not say that at all—

Mr. RICHARD (*Ottawa East*): Yes he did.

Mr. FLEMING: No, he said they had certain reservations about the practicality and certain views about whether the implementing of these recommendations would be justified by the economics but he did not say he was not in a position to make comments on the practicality.

Mr. KNIGHT: I have not said anything yet and I would like to play the part of the old peacemaker. If some people object to the report being published and Mr. Dunton on the other hand agrees to discuss some of the matters in it, why not have him tell us about some of the matters in it without producing the report? We could then ask Mr. Dunton what was one specific matter upon which he approached the experts and what did they have to say about it and what does he think about it. Could we do that? I think that would meet Mr. Goode's objection. I think a certain amount of stubbornness has developed in this committee.

Mr. GOODE: I will not object.

Mr. KNIGHT: I can see there has been developing in this committee a sort of grim stubbornness on both sides. Let us get to the meat of the matter, otherwise we might as well go and have lunch.

The CHAIRMAN: Well?

Mr. FLEMING: On that basis Mr. Knight will ask, in recommendation number one for the views of the C.B.C. and I will ask for the views of the C.B.C. with respect to recommendation two, and Mr. Monteith will ask for the views of the C.B.C. on recommendation three and so on down the line; so we might just as well put it in now and do it in an orderly and sensible way.

Mr. REINKE: Between now and the time the committee meets this afternoon I suggest that Mr. Dunton get in touch with these people and find out if they have any objection to this report coming before the committee, and we can deal with it this afternoon.

Mr. FLEMING: We have fifteen minutes yet before the normal hour of adjournment. The report is now prepared, and it must be received before use is made of it.

The CHAIRMAN: Mr. Dunton is not opposed to the production of this report, but I think that some members of the committee would like to have some definite answer on whether we wish to have it.

Mr. FLEMING: It is perfectly clear!

The CHAIRMAN: It is not clear in the minds of all the members.

Mr. FLEMING: It is quite clear that Mr. Dunton has no objection to the tabling of this report.

The WITNESS: Subject to what I said before about this particular report, and subject to the fact that I think I said we had not consulted the firm about the publication of it; but I do not think they would have any objection.

Mr. BOISVERT: That is what you said.

Mr. REINKE: The report is not complete, and I think they should be consulted.

Mr. MONTEITH: It is complete as far as it goes.

Mr. REINKE: I suggest that we adjourn.

The CHAIRMAN: Do I understand that we should have a vote on it?

Mr. GOODE: Yes. Take a vote on it.

The CHAIRMAN: Mr. Gratrix will poll the members.

Mr. BOISVERT: What is the question?

The CHAIRMAN: Whether or not we table that report.

Mr. BOISVERT: We have nothing.

Mr. REINKE: What about my suggestion that we give them a chance to consult with P. S. Ross & Sons, and we can deal with it this afternoon?

The CHAIRMAN: I will ask Mr. Dunton if he needs to do that. We have no motion to table it. We would have to have a motion, and find out if the committee is opposed.

Mr. REINKE: There is no motion?

The CHAIRMAN: Yes.

Mr. MONTEITH: I move that the report be tabled.

Mr. REINKE: I move an amendment that Mr. Dunton confer with P. S. Ross & Sons between now and our next meeting.

Mr. KNIGHT: I second the amendment.

The CHAIRMAN: There is a motion from Mr. Monteith that the report be tabled now, and an amendment to the motion from Mr. Reinke that Mr. Dunton have an opportunity to confer with P. S. Ross & Sons before tabling the report. Now we shall vote on the amendment. Those in favour of the amendment will please raise their hands.

Mr. FLEMING: I thought we were going to have a polled vote.

The CHAIRMAN: Do you want a polled vote?

Mr. FLEMING: Yes. I think we had better do it that way.

The CHAIRMAN: You want to have a recorded vote on the amendment.

(At this point a polled vote of the committee was taken.)

The CLERK OF THE COMMITTEE: The result of the polled vote is nine to four in favour of the motion as amended.

The CHAIRMAN: The result of the vote is nine to four in favour of the amendment. I take it that the motion of Mr. Monteith as amended is adopted, so Mr. Dunton will be able to resolve his conscience with the accountants. I think we had better adjourn now.

Mr. BEAUDRY: I move we adjourn.

The CHAIRMAN: Mr. Beaudry has moved that we adjourn. The steering committee will remain behind, please.

#### AFTERNOON SESSION

May 12, 1955,  
3.30 p.m.

The CHAIRMAN: Order, gentlemen, I see a quorum. I think Mr. Dunton has a few words to say about what what was going on this morning, about that report.

**Mr. A. Davidson Dunton, Chairman, Board of Governors, Canadian Broadcasting Corporation, recalled:**

*By the Chairman:*

Q. Mr. Dunton, did you get in touch with Ross and Sons?—A. Since then the general manager has consulted P. S. Ross and Sons and they have no objection to the production of the report.

Q. Then you are ready to table the report?—A. If the committee wishes, yes.

Mr. GOODE: I am not going to object any more.



The CHAIRMAN: Very well.

The WITNESS: At the moment we only have a few copies of it available but in the event it was to be tabled we arranged for it to be stencilled and it will be over shortly from the office.

The CHAIRMAN: You have only a few copies now?

The WITNESS: Yes.

Mr. MONTEITH: If the other copies are going to be along very shortly perhaps we could go on with one or two other things and take this after.

The CHAIRMAN: It is agreed the report be tabled?

Mr. BOISVERT: I will move the report be tabled.

Mr. BALCER: There was a motion before.

The CHAIRMAN: By Mr. Monteith.

Mr. BOISVERT: That motion was superseded by the amendment so this afternoon I am making a new motion to have the report tabled.

The CHAIRMAN: Mr. Boisvert is moving that the report be tabled. Then, if you want to wait until all the copies are available or have you some questions on other matters?

*By Mr. Monteith:*

Q. I have a couple of questions on this report on the 1952 statement which I finally found in volume 2 of the Public Accounts, which has to do with the accounting. There is one statement to the effect—I will read it:

The operating surplus of \$3,691,779 from Sound Broadcasting and the \$369,225 deficit from Television Broadcasting may not be regarded as strictly correct, because

(a) the \$14,813,598 income of the Corporation and

(b) the disbursement of \$243,353 for loan interest are related in the statement to Sound Broadcasting only, although pertaining to both Sound Broadcasting and Television.

These is nothing to say about these remarks other than that situation has since been corrected, I am assuming these statements and these allocations are properly set out in future statements?—A. That is right. As I think the committee is aware, in that fiscal year there was very little work being done in television, no operations had started.

Q. Yes. The next item mentioned is:

The correctness of the Corporation's liability under the Pension Plan for past service of employees, reflected in the books by a final payment of \$109,255, has yet to be established.

Where would that be charged in the accounts?

Mr. GOODE: Would Mr. Monteith put on the record from what document he is reading?

Mr. MONTEITH: I am reading from the Auditor General's report of July 18, 1952, having to do with the 31st of March, 1952, statement and comments made on later reports.

The WITNESS: I think that was simply this; most of it was for additional past services and this was a question of the Auditor General's office not having completed their check of this amount, and, therefore, not being, at this stage, to certificate without that reservation.

*By Mr. Monteith:*

Q. That apparently has since been straightened out to the satisfaction of everybody?—A. Yes.

Q. Where would that amount appear in the expenditures under administration? It says:

... reflected in the books by a final payment of \$109,255 ...  
Where would that appear in the statement?

Mr. OUIMET: In the item shown against various departments where the salaries are included, superannuation and salaries are shown against each main division; you have engineering, programming and administration, etc.

Mr. MONTEITH: I see, it would be subdivided according to the subdivision of the salaries?

Mr. OUIMET: That is correct.

*By Mr. Monteith:*

Q. Then, the next item is:

Included as an expense of the year is a charge of \$12,000 for the estimated full cost of a deferred pension in favour of the Chairman, in respect of the period November, 1945, to December 31, 1951. It was indicated that the matter was still under review, but as the records now are, doubt must necessarily be entertained as to the power of the Corporation

(a) to absorb the cost without contribution by the Chairman;

(b) to vary the approved Pension Plan without the concurrence of the Governor in Council.

Should it be that the action taken is in conflict with section 3(7) of the Act, a situation would result which would be unsatisfactory alike to the Corporation and the Chairman. The matter is accordingly drawn to the notice of the Board of Governors.

The question is, has it subsequently been found that this action did agree with the Act?—A. This was discussed at some length, I think in 1953. The arrangement for the pension plan for the full-time members of the board, that is for the chairman, myself, were only completed following an amendment to the Broadcasting Act in the calendar year 1952. In this case our management had included a contingent liability, without having had time to establish the exact amount, the plan itself had not been fully worked out and approved by order in council.

Q. The whole thing now is set up under the Act?—A. Yes, there was full debate and it went through all the approvals necessary, but at that time there was not the full approval for an exact amount.

Q. I do not think I have any further questions on that, Mr. Chairman.

The CHAIRMAN: No more questions on finance?

Mr. MONTEITH: Oh, yes indeed. If we are just putting in time until the other report comes, I have a question. I feel it varies with Mr. Ouimet's thinking that it is not possible under the unusual basis which has been in effect that the true monthly picture can be taken off from month to month to see what progress is and so on. Now I believe the Auditor General simplifies the matter in this letter of October 23, 1952, and comments to that effect also. I will just leave it there and ask Mr. Ouimet if he would care to comment?

Mr. OUIMET: This may be covered in the report when we have copies, but you will see when you get the report that our system is much more than cash books you are referring to. Our statements for control purposes is the



case of television are all on a commitment basis. In the case of radio service they are on a modified cash basis in order to give us a more complete picture and we are putting them now on a commitment basis also. I am not disagreeing with what you suggested. I think you will find from the report that we are going further than what you suggest.

Mr. MONTEITH: Well, we can leave it until we get the report, I suppose. Mr. Chairman, I have not any more general questions at the moment.

The CHAIRMAN: Are there any other questions from other members?

Mr. GOODE: Perhaps, Mr. Chairman, I could put the question that I put yesterday. I think it comes under sound broadcasting and I asked Mr. Dunton yesterday what would be the expectation of income from the sale of television sets, radio sets and record players over the next five years and the next ten years.

The WITNESS: We cannot guess that far ahead, Mr. Goode.

*By Mr. Goode:*

Q. Then, could I put the same question again: we have a surplus of some \$6 million odd, what is the expectancy of the corporation, to ask the parliament of Canada for more money to continue for the next two years?—A. It is a hard question to deal with in a quick answer. The estimate of how we shall come out in the year 1954-55 might be of assistance. In very rough terms in sound broadcasting the estimate is for an operating deficit after allowance for depreciation, of \$560,000. In television according to these estimates, which were put together about two weeks ago and do not yet reflect the final information which will be used in making up the books completely for the end of the year, as near as can be given on the basis of the information available at that time, the operating surplus for television for that financial year, namely 1954-55, would be just over \$3½ million.

Q. What do you mean by "operating surplus" Mr. Dunton? You have said in the committee that your expectancy of commercial income in relation to costs with regards to sponsored programs is 50 to 60 per cent. How do you justify a surplus in regard to monies provided to the corporation by the parliament of Canada?—A. We have two forms of revenue coming to the corporation, one which is provided by parliament which comes to us by law, not by rates or proposals of the government each year; and the other consists of commercial revenue.

Q. What is the expectancy of commercial revenue for the year 1954-55?—A. In which, sound broadcasting or television?

Q. Television. I am interested only in television at the moment.—A. From commercial revenue in television, just over \$3,800,000.

Q. How much of that six and quarter million dollars from the parliament of Canada do you allocate to television?—A. Of that six and quarter million dollars, none. Not a dollar.

Q. Do you think that the C.B.C. television service as presently constituted is going to be self-supporting over the next five years?—A. It will depend on what you mean by "self-supporting" and on what parliament says should be done.

Q. May I explain that: if you get a dollar you are going to spend it, but you are not going to get more than a dollar.—A. If you mean by covering all expenditures just on commercial broadcasting, no. Perhaps I might clarify the picture by stating that if parliament turns around and tells the C.B.C. to operate and make a profit on a commercial basis, the C.B.C. can do it, but it would be a very different type of national system which you would have. There would be very little production of Canadian programs, and no question

of a national network across the country; little distribution of programs through private stations and C.B.C. stations in the way of linking Canada across the country. You keep using the phrase "self-supporting" Mr. Goode and you speak of making money on a commercial basis. The C.B.C. would be perfectly capable if told to do so of operating on a commercial basis and making a profit on a commercial basis, but the television picture in Canada would be a very different one. As we understand it we have one source of revenue from buyers of television sets to enable the corporation, as the chief component of the national system, to ensure a really worthwhile program of production in Canada and its distribution on a fairly equitable basis right across the country.

Q. We are going to be faced with a continued expense to the taxpayers of Canada as long as we continue the present policy. Is that correct?—A. Certainly we have made no secret at all in our estimates. We have made it perfectly clear according to our estimates that it is necessary that there should be very substantial sums of money provided in ways other than through commercial advertising if the country is to continue to have a national system of broadcasting in terms of national distribution and a certain amount of Canadian production.

Q. I cannot understand why we should have a different policy in television to that which we have in sound broadcasting. So far as my province is concerned you have 13 stations in British Columbia that are part of a national network. The system works very well and is most satisfactory as far as sound broadcasting is concerned, I cannot get through my head why we cannot get a television network in British Columbia on the same basis. You have said to me a number of times in this committee that we have got to maintain Canadian culture in television.—A. I do not think I have said that at all.

Q. You intimated it.—A. I think you are misinterpreting my remarks.

Q. I still cannot understand and I should like you or someone else to explain to me why we cannot put this same system into being with private television stations in opposition to yours in the larger centres, and C.B. or some private stations in the cities which you do not perhaps go into, like Calgary and Edmonton—you have a private station at one of these towns, I believe, which is working very satisfactorily. You have one in Sudbury also, I believe, which is paying very well. Why cannot we establish a television network in Canada even, if you like, on the C.B.C. network, with a connection to private stations; in the large centres doing business against you, in the small centres, with you.—A. Mr. Goode, the facts, that the systems of sound and television are basically the same. In each case you have the C.B.C. carrying on a national job in terms of production and the distribution through its facilities and through private stations. I imagine that you are referring to the question of whether there should be two television stations in some areas instead of one.

Q. In the larger centres.—A. That raises the question of which are large centres and which are not. There are some private stations covering larger centres—

Q. Stay with Vancouver. I cannot see why we cannot have a private television station in opposition to the C.B.C., keeping that money out of the United States and still forming part of the network you propose to put into being.—A. One question I think you are interested in is whether in addition to this system developing at the moment, there should be some additional stations at some places. That is a decision which is made by other people. It is not up to the C.B.C. I have pointed out certain inevitable effects which would result from having such a situation. That certainly does not mean



that there will not be such a situation, or that there will be. I have merely indicated the factors which certainly should be considered—the effects of such a situation on the economics of the national system. It is simply a question of factors and effects, and those will be weighed by other people eventually.

*By Mr. Bryson:*

Q. There is no question in mind that the C.B.C. has not investigated every angle of this kind of revenue.—A. We have done an awful lot of thinking about revenue.

Q. I know it is hard to make comparisons with other systems, but I have in mind at the moment the system used in Australia which might be compared with our own as well as that of any other country. I understand that in Australia the private stations which are served by a skeleton program from the Central Broadcasting Corporation not only pay a small fee annually to the Australia Broadcasting Corporation, but are charged one-half of one per cent in any year in which they made a profit in the previous year. That one half of one per cent is levied on their gross profit in any one year when in the previous year they showed a profit of any kind. I would like to ask what is the difference between their system and ours which would seem to justify that charge in their case?—A. I am a little confused because my understanding is that the way things work in Australia is not quite the way you have outlined.

Q. According to their annual report, if a private station makes a profit in, say, 1954, then this year the Australia Broadcasting Corporation could levy one-half of one per cent upon the gross earnings of that station during the previous year.—A. That may be so, but frankly we do not know about such details. In general I think you will find that the Australian system differs quite a bit from ours. In sound broadcasting the private stations would carry only a very small proportion of A.B.C. material. There are Australia broadcasting commission stations and private stations but the latter are not used very often in A.B.C. programs, I believe, and it is only in some of the more isolated stations that they carry some A.B.C. programs. I think that in general they operate quite differently from the way in which we operate in Canada.

Mr. OUMET: That is correct, Mr. Dunton, and with respect to the suggestion about a percentage on the gross profits of a station at the rate of  $\frac{1}{2}$  of 1 per cent, that would mean, say, that on a profit of \$100,000, \$500 could be levied. I do not know what that would be used for, but I imagine it would probably pay for the licence of the station. It is a small amount in terms of the total.

The WITNESS: I think perhaps the obvious difference between the Australian system and our own is that in Canada both in sound and television the public and private organizations work together in providing a national service while in Australia, generally speaking, they work separately.

*By Mr. Bryson:*

Q. I understood that they worked together?—A. I think not.

*By Mr. Dinsdale:*

Q. Does that mean the private stations there have their own networks?—A. Yes. They have some direct connections, but some programs are circulated by transcription.

Q. The national system does not necessarily supply the basic program?—A. No, in general it does not. In general there are two quite distinct operations. Here, as you know, the two team very closely together. In television it runs right across the country. We carry on a joint operation.

Q. Do both systems in Australia operate on a commercial basis?—A. The A.B.C. operates on an entirely non-commercial basis.

*By Mr. Monteith:*

Q. What is their basis of revenue collection? Is it somewhat on the same lines as our own?—A. It is related to gross revenues of the stations. I think it is according to the classification of revenue—not the exact percentage of that amount.

Q. It would be based on revenue from \$50,000 to \$75,000 say, and from \$75,000 to \$100,000?—A. Something of that nature.

*By Mr. Reinke:*

Q. Mr. Dunton, in answer to Mr. Goode you spoke about certain factors and views you might have expressed about the “pros and cons” of having additional competition to your television stations. What were those views? What were your ideas as to whether we should have competition in the larger centres or not?—A. We do not use the word “competition” in perhaps quite the same way. As I have tried to explain here, we were pointing out the tendencies which would result from the establishment of such stations.

Q. That is what I want to learn. What were the results or the probable results which you have referred to?—A. In the direction of holding down moneys coming into the national system as a whole across the country, that is, in the provision of programs in Canada and the distribution of programs across the country; not only tending to hold down revenues but to weaken general support in Canada from commercial sources for Canadian produced programs. One thing the committee can see clearly in general terms is that further competition in a general way of programs of imported material will tend to weaken the support for Canadian produced material. It is a question in general terms of how much parliament wants that kind of pressure to develop and grow. There is plenty of it now.

Q. The competition would not be so much from a commercial standpoint—that it would reduce your commercial revenue—but rather that it would have a tendency to give the people programs which might not be as good as the C.B.C. should produce or which we feel that people should listen to?—A. I would not say it was a question of what we thought were good programs or not. I tried to say it would weaken or dilute potential support for Canadian produced programs; it would open up opportunities very much more widely for the use of imported program material, and the pressure is all for the importation of programs, from the point of view of commercial arithmetic, as against their production here in Canada.

*By Mr. Goode:*

Q. How can you justify that when you have said to the committee that you cannot handle any more commercial programs in your station at Vancouver from 5 to 11?—A. I have seldom heard of a station doing any commercial business of which it was not being said by some sponsors that they could not get time or programs when they wanted to have it. I think it finally comes down to a question of how one considers the whole matter of television in Canada. If you think of it purely as a commercial question—a question of business and the possibility of sales and profits—it is natural that if there are more television stations in any area there will be more opportunities for that, and parliament might decide along those lines. I am merely pointing out that if parliament wants to have a national system in the sense that it maintains a good amount of Canadian production and distribution in the country we think it should take into account the fact that further duplication of stations will weaken the support of commercial activities for these national purposes.

Q. I rather go along with you half way, but I have got a schedule of sponsors in front of me relating to the United States station appearing in



Vancouver and your own station in Vancouver. Their rates are 50 per cent of yours and may be still lower. If it is right for you to refuse advertising business in British Columbia and if it is right that \$140,000 should be going over to the United States from strictly Canadian sponsors I cannot see why we should not allow another station in that area so that we might be able to keep Canadian money in Canada. You have not said anything yet to my mind that would justify our having to send money to the United States to sell Canadian goods.—A. I can see your point of view, based on the purely commercial consideration of dollars and profits. May I point out to you however that a great deal of money is flowing out of Canada now in relation to both sound broadcasting and television—it goes to American sources in large amounts for program material coming into this country. The actual amount which advertisers would pay for time on a station would be only a small fraction of the money which goes out to the United States in return for program material. That is a very big amount.

Q. I do not want anyone to think that I do not think the C.B.C. is doing a good job on television. I have said before I think your station in Vancouver is the best of the five we have, but when British Columbia money is going to the United States while we have two channels available, I cannot agree with your attitude.

Mr. HANSELL: Do they have programs available?

Mr. GOODE: Evidently the United States has programs available to be able to take \$140,000 out of the city of Vancouver. If some of that money was going to sell Canadian goods to United States customers I would not have an argument.

The VICE CHAIRMAN: We seem to be getting away from finance into the field of policy. Can we have some more questions on the purely financial aspect?

Mr. GOODE: I understood we are waiting for those lists.

*(The Committee rose to attend a division in the House.)*

The meeting resumed at 4.40 p.m.

The CHAIRMAN: Order, gentlemen.

Mr. MONTEITH: Could we have the copies of the report of P.S. Ross and Sons distributed, Mr. Chairman?

The CHAIRMAN: Yes, they will be distributed now.

Mr. MONTEITH: I have been glancing at this and it appears to be rather a formidable document which will probably require some study. I wonder if we could come back to this tomorrow morning after we have had an opportunity of reading it over?

The CHAIRMAN: I am ready to accept it; does the committee agree?

Some hon. MEMBERS: Agreed.

Mr. MONTEITH: Shall we continue with the balance sheet now?

The CHAIRMAN: Yes.

Mr. MONTEITH: On page 42 of the report, I notice the cash on hand and in bank is \$5 millions odd. I assume that cash on hand is merely imprest funds or something of that nature, is that right?

Mr. OUMET: This is really cash in the bank. There would be a small amount as far as imprest funds are concerned.

Mr. MONTEITH: I suppose each office would have an impressed fund?

Mr. OUMET: Yes, but it would be a relatively small amount.

Mr. MONTEITH: What is the general practice; I suppose it is to deposit all receipts every day?

Mr. OUMET: I should like to ask the treasurer, Mr. Bramah, to answer that question.

Mr. BRAMAH: We instituted a series of accounts such as travelling expenses and petty cash, and things of a similar nature. That is the aggregate of all the accounts throughout Canada, but the \$5 million amount is on the last date of the fiscal year when we happened to receive a loan of \$4,750,000 which accounts for the large balance at the end of the year.

Mr. MONTEITH: Can you tell us off hand what the total of all these impressed funds amounts to?

Mr. BRAMAH: I do not think it is more than a quarter of a million dollars in total.

Mr. MONTEITH: I do not mean the bank balances, I just mean the total of the impressed funds?

Mr. BRAMAH: That is what I mean.

Mr. MONTEITH: You operate each branch on an impressed fund. Do you keep so much there and reimburse them for their expenditures?

Mr. BRAMAH: Yes, we reimburse them as they submit their claims, but in Toronto and Montreal they pay the artists from those various points.

Mr. MONTEITH: The accounts receivable are probably mostly commercial?

Mr. BRAMAH: Mostly commercial, yes sir.

Mr. MONTEITH: What else might there be?

Mr. BRAMAH: There might be balances but they are mostly commercial accounts.

Mr. MONTEITH: I am making some comparisons so I am using the years 1952, 1953 and 1954 and I notice that commercial broadcasting revenue in 1952 amounted to \$2,456,431 and the accounts receivable at the 31st of March, 1952 were \$721,301. Now, this is just slightly under one-third of the entire year's business which is still owing at the end of the year. This seems like a fairly sizable portion to me.

Mr. OUMET: There is a difference between the two in that the revenue is net and the accounts receivable are gross. Furthermore, the peak of our business takes place really during the winter months and we have more business at that time than we have in the summer.

Mr. MONTEITH: Perhaps I had better come up to the current year, 1953-54, the income from sound is \$2,471,488; TV \$1,334,765, a total of \$3,806,254. Now, the accounts receivable at the end of the year were \$739,370 in sound; TV \$753,142, and a total of \$1,492,512. In other words, here again it is over one-third of the year's business. Now, you say that the revenue is net. Can you give us a breakdown of the gross revenue, before commissions are deducted?

Mr. OUMET: We will look it up and give you an approximation of the figure.

Mr. MONTEITH: Can we go on with something else in the meantime? I just wondered how your bank interest was handled; do they pay you on a monthly balance or what?

Mr. SCHNOBB: We have certain accounts; we get the interest charges on the savings account annually.

Mr. MONTEITH: You have not checked it?

Mr. SCHNOBB: Every six months.



Mr. MONTEITH: This would be some proportion of six months that you had not received yet, the amount of \$2,431?

Mr. SCHNOBB: That is correct.

Mr. MONTEITH: In the investments I notice at the end of 1952 you had \$5,608,250 book value. Where would the income from those investments appear on the statement?

Mr. BRAMAH: It would be in the miscellaneous income of the profit and loss statement.

Mr. MONTEITH: All right. Now, in the year 1952-53 under Sound the investments were \$5,428,350 and the interest was \$133,961, that is a rate of approximately 2.47 per cent. In TV you had \$102,400 investments and investment income of \$62,422. Now, there must be some explanation for this, but I am just wondering what it is because there is \$62,000 income and \$102,000 investments.

Mr. BRAMAH: Most of the loans are for television. If I remember my figures correctly, investment in sound broadcasting was \$3,225,000 and the rest was television, so therefore you would have a bigger income from your bonds in the television service.

Mr. MONTEITH: Then they are not properly distributed, are they?

Mr. BRAMAH: Yes, sir.

The WITNESS: Which year?

Mr. MONTEITH: 1952-53.

Mr. BOISVERT: We went through these matters last year.

Mr. MONTEITH: No, this statement has not been done.

The CHAIRMAN: We did not sit last year.

Mr. MONTEITH: Under the television service, on page 46, you have got investments of \$102,400 and then on page 48, interest on investment, you have got \$62,422; there must be some explanation but I cannot see what it is.

Mr. SCHNOBB: The explanation is the interest should not be related to the investment at the end of the year. Throughout the year television has had a considerable amount of investment and from that fund we had to acquire the dollars we needed, so the effect is that the figure for the end of the year does not relate to the amount invested during the year.

Mr. MONTEITH: They may have had \$5 million two months before?

Mr. SCHNOBB: Yes, exactly.

Mr. MONTEITH: I presume the same took place in 1953-54. The investment rate on the investment at the end of the year is only .5 per cent.

Mr. SCHNOBB: That is right.

Mr. MONTEITH: So the converse would be true in that year?

Mr. SCHNOBB: That is correct.

Mr. MONTEITH: The reserve for bad debts at the end of 1952 is \$5,000; there was \$2,000 charged in 1952-53 increasing the reserve to \$7,000. In 1954 it was increased further by \$3,000, coming to a total at the end of 1954 of \$10,000. How is the reserve arrived at; I mean, do you try to cover specific accounts or is it a percentage basis or what?

Mr. BRAMAH: We do not have very many bad debts but at the end of the year we review those considered in the doubtful class and put in the reserve to cover that.

Mr. MONTEITH: Where are your bad debts that are written off during the year charged?

Mr. BRAMAH: They are written off to expenses.

Mr. MONTEITH: In other words, you are increasing the reserve from \$3,000 to \$5,000. Is that supposed to cover bad debts from prior years or it is in the current period?

Mr. BRAMAH: It would be in the particular period but in the particular year of 1954 we did not have very many bad debts that were written off; I think we only had \$533.

Mr. MONTEITH: But there was \$3,000 in that year which was questionable?

Mr. BRAMAH: They were considered questionable at the time.

Mr. MONTEITH: As a matter of accounting should they not be charged to expense too?

Mr. BRAMAH: They may be all right later.

Mr. MONTEITH: They would then go into the year in which they are collected; would you adjust your reserve?

Mr. BRAMAH: That is possible too.

Mr. GOODE: Were they collected later?

Mr. BRAMAH: That I could not tell you offhand.

Mr. MONTEITH: What is your experience in write-offs; you mentioned \$500 in the last year; what were they for the year before?

Mr. BRAMAH: They have been comparatively small.

Mr. MONTEITH: How old are the oldest accounts which you retain on your books?

Mr. BRAMAH: Usually three to four months.

Mr. MONTEITH: If you do not collect them you put them off the air, is that it?

Mr. BRAMAH: Well, we have done on occasion, sir.

Mr. MONTEITH: Have you got that other information now?

Mr. OUMET: Yes, the gross revenue for sound was \$4,580,000 and the gross revenue for television was \$2,318,000, that is nearly double the net.

Mr. MONTEITH: Well then, it would appear that you had about 15 per cent of your accounts at the end of the year, which were not collected. What is your billing, how do you bill?

Mr. MONTEITH: We bill every month, but we may be a little delayed in the television.

Mr. MONTEITH: Why?

Mr. BRAMAH: Just from lack of time to get around to it.

Mr. MONTEITH: Do you find your billing when it is at all late is more difficult to collect?

Mr. BRAMAH: No, it is not difficult to collect, I think the trouble at the moment is the preparation of the cost sheets, with two or three sponsors on one program it gives a little trouble to prepare the cost sheets and that automatically delays the billing.

Mr. MONTEITH: I can understand that. How long does it delay it?

Mr. BRAMAH: It was delayed for about six weeks at one particular time, but we are caught up now; it is a question of the time element that comes into these things.

Mr. MONTEITH: What is the period now?

Mr. BRAMAH: Now, we are getting around to doing them the month following.

Mr. GOODE: What is the C.B.C. policy on overdue accounts, Mr. Dunton, do you charge an interest rate on them?



The WITNESS: Our policy, of course, is to collect everything we can. I think probably the treasurer can say it better.

Mr. BRAMAH: We do not wait too long to collect accounts, we hand them over to Dunn and Bradstreet. We go as far as we can and then hand them over to Dunn and Bradstreet for collection.

Mr. GOODE: You use them as a collection agency?

Mr. BRAMAH: Yes.

Mr. GOODE: Since we went into the television, how much could you charge to bad debts not collected?

Mr. BRAMAH: I do not think it would be over \$1,000.

Mr. GOODE: I would not expect these people would be very big sponsors, but, of course, these people you would not do business with again?

Mr. BRAMAH: That is right, sir.

Mr. BOISVERT: One question, when you do not succeed in collecting through Dunn and Bradstreet do you take judgment against these people?

Mr. BRAMAH: No, I do not think we have ever had a case in point where we have had judgment against them.

*By Mr. Monteith:*

Q. On your superannuation fund, would you mind giving the committee some information concerning that? I see it is the first time this item has appeared in the balance sheet.—A. I think I can explain this item that appears here because it relates to me. This was a special fund set up apart from the employees' fund for legal reasons because it was only made possible legally in 1952. Under this fund, which has exactly the same terms as the employees' fund, the corporation will be liable to this amount if I stay ten years with the corporation; if I do not that money reverts back to the corporation since it will not be needed and that is why it appears on both sides of the balance sheet. I suppose it could be called a contingent liability.

Q. Has there been any criticism by the Auditor General at any time concerning the superannuation fund aside from what I quoted from before, I mean as to the handling of the fund or anything like that?—A. I do not think so at all. As you are probably aware it is not a funded pension scheme, it is an annuity type, it works on the purchase of annuities.

Q. I was not aware of that. On the fixed assets, at the end of 1952 the total in sound is \$6,373,064 and in the year 1953 there was an increase including work in progress of \$472,273. Now that is labelled "Additions less write-offs," what is meant by "write-offs"?

Mr. OUMET: Write-offs? In our business there may be some unit of equipment which becomes obsolete and may be dismantled to use the parts.

Mr. MONTEITH: Before they are fully depreciated?

Mr. OUMET: Oh, yes, the depreciation is a guess ahead of time determined as "scientifically" as possible.

Mr. MONTEITH: You mean it is recommended that it be?

Mr. OUMET: In any case, whether it is "scientifically" determined or not it is still a matter of assuming how long an article will actually be used and an article may be used longer or for a lesser period than estimated. It may be dismantled or it may be in such a state that it is of no use to us. It may have to be sold and if it is sold we may get some revenue but not the total revenue. Those write-offs cover all such cases. In some cases something may be broken beyond repair.

Mr. MONTEITH: In 1954 there was an increase including work in progress of \$1,025,280. Is there any breakdown of the major items going to make up these amounts.

Mr. BRAMAH: You are talking about sound at the end of March, 1954?

Mr. MONTEITH: Yes?

Mr. BRAMAH: Yes, there is a breakdown of them if you want them, there are many items. The main items are the CBF transmitter at Vercheres, \$225,000; the Winnipeg studios, \$407,000; the Moncton transmitter, \$114,000; \$63,000 to the Toronto studios, and \$40,000 for the Hornby transmitter, those are the main ones.

Mr. MONTEITH: In TV the increase in 1954 is \$3,323,283. What are some of the main items there?

Mr. BRAMAH: The Jarvis street studio in Toronto, \$462,000; the Yonge street studio in Toronto, \$537,000; Vancouver studio, \$505,000; the Vancouver transmitter, \$327,000.

Mr. MONTEITH: How much was that?

Mr. BRAMAH: \$327,000; Radio Canada Building, \$267,000: those are the main items. There are various small items and the total comes to \$3,323,283.

Mr. MONTEITH: The Radio Canada Building, was that new equipment or what was it?

Mr. BRAMAH: That would be the new annex that we added that particular year.

Mr. MONTEITH: I understand that the international service originally bought that Montreal building.

Mr. BRAMAH: The Radio Canada Building, yes, sir.

Mr. MONTEITH: Since then this annex has been purchased by C.B.C.?

Mr. OUMET: In the case of television we built a building, a completely separate building, adjoining the Radio Canada Building but still a separate building which was charged to television because it is used for television only.

Mr. MONTEITH: What rental is paid, if any, on the building by C.B.C.?

Mr. GOODE: Mr. Chairman, may I again object? At the moment I take it that Mr. Monteith is questioning under the estimates, items 56 and 57, that is at present being given to the Committee on External Affairs, as I understand it, and I wonder whether we should question on this matter when it is before another committee.

The CHAIRMAN: Are you speaking on the question put by Mr. Fleming in the House?

Mr. GOODE: Yes.

Mr. MONTEITH: Well, I am inquiring as to the rent paid by C.B.C., I think that is an expense of this corporation and I do not see why we could not have an answer to it.

Mr. GOODE: I do not want to argue, but I thought perhaps you might not know that these items on Radio Canada are before External Affairs.

Mr. MONTEITH: I did not know, that is fine, but I still would like this information because it is an expense of the corporation.

Mr. GOODE: I just wondered whether we have the right to question on it, I do not object to it, is a matter of procedure, that is all.

The CHAIRMAN: I will allow this question providing there are no more questions asked.

Mr. GOODE: I only spoke for your guidance.



Mr. MONTEITH: That is fine.

Mr. OUIMET: I will have the amount we paid in 1953-54 in a minute. As shown in the statement on page 50 the amount is \$168,954.20, but this may not be the exact amount for rental.

Mr. MONTEITH: Where is that?

Mr. OUIMET: On page 50 of the report.

Mr. MONTEITH: Oh, yes.

Mr. OUIMET: I am not absolutely sure whether that is all rental, but the very greatest part is rental.

Mr. MONTEITH: I notice there are apparently items of expenditure charged to the reserves for depreciation. How do you differentiate between what you are going to set up as capital and what you are going to charge to reserve for depreciation?

Mr. OUIMET: Would you repeat that, please?

Mr. MONTEITH: Yes, to illustrate, at the end of 1952 the sound reserve, that is according to the statement, is \$3,201,690; the amount charged in the accounts for that year is \$445,244. Now that should, unless there were some charges paid, be added to the opening amount coming to a reserve for depreciation at the end of the year, of 3,646,934, but according to the actual statement the reserve appears as \$3,333,853.

Mr. OUIMET: There was equipment written off that year. Would you give more details, Mr. Bramah?

Mr. BRAMAH: That is about all I can say. During the year there were certain write-offs and they were charged against depreciation, so it would not be the total of the year previously plus the amount of depreciation for the next year, it would be an extra item of a deduction for a write-off.

Mr. MONTEITH: You are taking the write-off out of assets and the reserve setup comes out of the reserve in that case?

Mr. BRAMAH: That is right.

Mr. MONTEITH: I am just trying to think this out. You have added \$472,000 less write-off; you have got a discrepancy in the reserve of \$313,000 so I am assuming that your actual expenditure would be about \$313,000 at least. More than \$472,000 because you have deducted the write-offs from the assets; you have taken \$313,000 out of the reserve. You must have taken that amount at least out of the assets.

Mr. BRAMAH: We had a fire at Vercheres, I believe.

Mr. MONTEITH: So you wrote off the depreciation that had been setup against that construction?

Mr. BRAMAH: Yes.

Mr. MONTEITH: I notice that your write-off account in 1954 in sound is \$64,226. That would be a plain write-off during that year?

Mr. BRAMAH: Yes. A plain write-off during that year.

Mr. MONTEITH: In other words you would scrap at least that amount of equipment during the year—equipment of that kind which had been on your books.

Mr. BRAMAH: That is correct.

Mr. MONTEITH: Just what are the expendable stores, Mr. Chairman.

Mr. OUIMET: The expendable stores are of different types. In our business we use a lot of things which have a limited life, for example tubes. These burn out after they have been used for a certain number of hours. There are other

types of technical stores which have a limited life, so they are expendable. Of course there are also other expendable items such as stationery and ink or wire, etc.

Mr. BRYSON: Mr. Chairman, does the corporation buy any particular brand of equipment or does it buy different kinds of equipment?

Mr. OUMET: We buy all kinds of equipment. If it is a large piece of equipment such as a transmitter or something which is fairly costly it is bought usually on a tender basis. We call for price quotations. If it is something which involves much smaller expenditure then we will simply shop for the best possible price. But in many cases even when the expenditure involved is of the order of only \$1,000 or \$2,000 we call for prices in order to get the best possible bargain and we buy from any manufacturer who can meet the specification.

Mr. BRYSON: Have you got any British equipment?

Mr. OUMET: We have quite a good deal of British equipment in television. Again, we bought this equipment on a competitive tender basis.

Mr. GOODE: Do the British manufacturers of television equipment compare in their prices with manufacturers in the United States and in Canada? Can you buy better in Britain than in the United States?

Mr. OUMET: Any time we have bought British equipment it is because British goods have been cheaper.

Mr. GOODE: How do the usual prices for British equipment compare with prices for comparable goods sold in the United States?

Mr. OUMET: They have done very well in television.

Mr. GOODE: Have you any idea what you have bought from Britain in the last two years? A rough figure will do.

Mr. OUMET: It would be a large amount. It would be over a million dollars.

Mr. GOODE: You have bought some equipment from the United States. Would it have cost the same amount or less?

Mr. OUMET: We buy a lot of Canadian equipment of course from Canadian companies who are affiliated with American companies. Some of their equipment is made completely in Canada; some is assembled here from parts which come in from the United States. It would be difficult to separate it.

Mr. GOODE: The fact remains that you buy a million dollars worth of goods from Britain in a year.

Mr. OUMET: Oh, that was not in a year.

Mr. GOODE: How long a period?

Mr. OUMET: Since we went into television, the total would be more than a million dollars. If we go back right to the start it would be more than that but I would like to check before giving you the exact amount.

Mr. GOODE: I think it would be interesting to have the figures of what the C.B.C. are doing with regard to Canadian and British trade, and I think we should put those figures on the record. If you can just get the sum in round figures I shall be obliged.

Mr. OUMET: Yes, I would be glad to do that. I may point out that a lot of the original television studio equipment was bought from British manufacturers who were successful in tendering.

Mr. BOISVERT: Does the quality of British equipment compare with that of Canadian and American equipment?

Mr. OUMET: Yes. All three countries make very good equipment.



Mr. MONTEITH: What type of charge comes under prepaid expenditure?

Mr. BRAMAH: Insurance is the main item. We have premiums which we pay and the majority would come under the prepaid heading according to the year in which they are paid.

Mr. MONTEITH: What would the "other charges" consist of?

Mr. BRAMAH: Improvements to leased properties. We spread that over a number of years.

Mr. MONTEITH: What is your policy with regard to writing that off?

Mr. BRAMAH: It would depend on the number of years. We write improvements to leased property off in five years under the new system we have now.

*By Mr. Dinsdale:*

Q. I am interested in the item on page 48 under the heading "press and information"—\$430,000 and some odd dollars for sound broadcasting and \$52,251 for television, making a total of \$483,000. I wonder if Mr. Dunton would give us some breakdown of that item?—A. Yes, I will mention some of the things it covers. It covers the putting out of practically all the material published by the corporation, which includes the various editions of the C.B.C. Times. It also includes other printed material related to specific programs such as the school broadcasts or other special series in which people may be interested. It covers all the work of providing information for press and publicity organizations interested in the C.B.C.; it covers receptionists at various points and people who dial telephone calls for information about the C.B.C. It also covers the handling of general listener material, and general enquiries or general comments about the C.B.C. This department handles the libraries of the corporation—it has a long list of activities, but I think I have covered the principal functions.

Q. Would the revenue from the sale of the C.B.C. Times be offset against this account?—A. No. The revenues would appear under "miscellaneous revenues" because we cannot offset it here. It would be gross expenditure subject to some net income under miscellaneous revenue.

Q. You have not got this item broken down into such categories as "entertainment of the press" and so on?—A. I can give you some of the main headings of the breakdown if you wish:

Recording discs, \$1,500; advertisements \$6,750; photography and art work—which would of course include a lot of work for the different publications which are put out—\$33,000; printing of publications and so on—the various ones which I have mentioned—\$98,000; salaries \$196,000, superannuation \$11,600—the item with regard to salaries covers, as I have explained, more than the personnel who are exclusively occupied with public relations, etc; for example it covers the salaries of people who are responsible for dealing with the general audience mail, apart from public or press relations officers who are comparatively few.

To continue the list: printing and stationery \$21,000; duty entertainment, \$3,200; and travelling, \$4,800. Those are the main items in the breakdown. I should mention again, perhaps, that the table for this department is perhaps not quite right, because many kinds of activity are handled under this heading. Looking after visitors who come down is one of them and many other functions are performed as I have explained.

Q. Does the item with regard to libraries cover all your library services?

Mr. OUMET: That is correct.

Mr. DINSDALE: The people producing information for broadcast background are covered by this?

Mr. OUMET: That is correct.

Mr. DINSDALE: Do you contribute anything to the publication of such pamphlets as "Citizens Forum", "Farm Forum", etc.?

The WITNESS: Usually each year the C.B.C. puts out a general pamphlet relating to such programs but the detailed work for the material on the individual programs is done by the Canadian Adult Education Association. We neither pay for this material nor do we compile it. It is the same in the case of "Farm Forum". We put out a schedule of yearly programs, but the material for each is handled by the "Farm Forum" people themselves.

Mr. DINSDALE: Is it possible to get an itemized statement of how this figure is broken down?

The WITNESS: Yes, we could give you a statement which would include small items other than those which I have mentioned.

Mr. DINSDALE: I would appreciate it if that could be done.

The WITNESS: Very well.

Mr. GOODE: Mr. Dunton was going to give the television income from CBUT.

The WITNESS: It is at the rate now of just a little over \$300,000 a year.

Mr. REINKE: I move we adjourn.

The CHAIRMAN: We have a motion to adjourn by Mr. Reinke. Tomorrow we shall meet at 11 a.m. sharp.



## EVIDENCE

May 13 1955.

11.00 a.m.

The CHAIRMAN: Order, gentlemen, we have a quorum. I understand that Mr. Goode asked a few questions, Mr. Dunton, about the value of the British equipment which the C.B.C. has purchased. Can you answer that?

Mr. OUMET: I have the answer regarding television equipment purchased from British manufacturers since the start of television in Canada. I can give only an approximate figure, and it is of the order of \$2-1/2 million.

Mr. GOODE: What has been the total amount of television equipment bought by the corporation in the same period, in round figures? Can the corporation give me an estimate of the percentage of British television equipment which that figure represents?

Mr. OUMET: I would say that it is less than half—probably around one third.

Mr. GOODE: What about the other two thirds—how do you divide it up? Does the larger part of that come from Canada or the United States?

Mr. OUMET: Practically all of it would come from Canadian suppliers but as I said yesterday the Canadian suppliers may manufacture the equipment here in whole or in part, or they may in turn import from the United States.

Mr. KNIGHT: Is this direct importation by ourselves?

Mr. OUMET: Direct importation by the Canadian companies who act as agents and instal the equipment.

Mr. GOODE: In any event most of these purchases are made on tender?

Mr. OUMET: You could say that practically all of it is.

**Mr. A. Davidson Dunton, Chairman, Board of Governors, Canadian Broadcasting Corporation, called:**

The WITNESS: We have some information in answer to Mr. Dinsdale's request for a breakdown of Press and Information Division expenditures.

The CHAIRMAN: Have you copies for distribution?

The WITNESS: Yes there are two sheets—one for sound and common services, the other for television.

The CHAIRMAN: Would you like this information put on the record?

Mr. DINSDALE: Yes.

The CHAIRMAN: Does the committee agree?

Agreed.

*By Mr. Goode:*

Q. With regard to the sheet on sound broadcasting Mr. Dunton. Item 441, reads: "Telegraphs and Cables \$2,376." That seems a tremendous amount. What would that be for?—A. At times this division has to transmit information by wire—information of various sorts which is urgently needed.

Q. Where to? In Canada?—A. Yes, I think everything would be in Canada. Information relating to quick program changes for the C.B.C. Times, and that sort of thing.

Q. Yet the same charge under television is only \$43. Would there be no quick changes in that?—A. As was said yesterday the expenditure under sound broadcasting really covers both sound and common services. The item we have down for sound would cover all the editions of the C.B.C. Times across the country, and that of course contains both television and sound information. The small amount under the heading Television would only apply to matters specifically related to television.

Q. Is there any policy as far the C.B.C. is concerned about the use of telegraph companies? Do you use the government telegraph company, or both?—A. Both are used.

*By Mr. Monteith:*

Q. What is the difference between "duty entertainment" and any other kind of entertainment?—A. It is the only kind we have in the C.B.C.

Q. I am just wondering why the Press and Information Service should be eight times as expensive in sound broadcasting as in television. I thought everything was much more expensive in television.—A. I think, as we explained yesterday—and it applies particularly in this case—this heading "Sound Broadcasting" should be "Sound Broadcasting and Common Services". This really covers the general activities of the corporation.

*By Mr. Dinsdale:*

Q. Let me refer to item 411; "Salaries—\$196,000"; as you explained yesterday that includes librarians and so forth. Is it not rather a misnomer to have those salaries included under Press and Information?—A. As I explained, perhaps the misnaming occurs in the naming of the division. Perhaps we should have some other name. As I explained yesterday the division groups a lot of services which are not strictly concerned with information. The department is responsible for many activities inside the corporation and it is just a convenience that it should be regarded a division specializing in narrower range of services. As an example of one of its activities I would mention that it is estimated we receive about half a million letters a year and of these some 50,000 require a really thoughtful answer, and to provide such answers investigation is needed. In addition I think we receive some 100,000 telephone calls of the same sort, raising questions or wanting information, and that sort of thing requires a fairly large staff to handle properly.

Q. It seems to me that Item 313—Photographic and Art Work—could be placed in the same category. I take that that concerns the actual preparation of your programs?—A. No, it would not be that. It would be photographs and that sort of thing largely for our publications. In addition the division sends out some material—mats and the like particularly—to weekly papers which request such a service. This is largely the promotion of Canadian artists.

Q. What about items 293 and 223 concerning the rental of equipment and the rental of buildings or floor space. Would the item with regard to rental of equipment imply equipment for programs?—A. The small item with regard to equipment—or the several items—relates to the displays. The division has put on displays and set up booths at various exhibitins such as the Canadian National Exhibitions and some of the winter fairs and ploughing matches and the public displayed a great deal of interest in them. Quite often programs have been put on from some of these exhibitions so that people can see what the operation looks like, and there have been some charges for equipment in connection with that.



*By Mr. Goode:*

Q. You have items here of \$20,000 for advertising. Do you use an agency, or does your own staff do the work?—A. It goes through an agency.

Q. Through one agency?—A. At the present time one agency has been doing this work. As you see this is rather a small amount of advertising. But we are not tied in any way exclusively to one agency. We have over the years used more than one agency, but just recently one has been used.

*By Mr. Monteith:*

Q. What type of advertising would this be?—A. It is largely related to program information. For example some advertisements were published at the beginning of last year in the Toronto area announcing the new program schedule and telling the public what it was going to be like. Sometimes advertising will draw attention to special transmissions such as the Coronation broadcast; or when one of our new stations is to open there are advertisements drawing attention to the service that will be supplied. We do not carry on any regular promotion campaign through advertising.

*By Mr. Dinsdale:*

Q. Item 433—Postage and Excise. Are the postal charges involved in connection with the international service included under that item?—A. No. This is an entirely domestic service and we of course as a corporation pay postage.

*By Mr. Monteith:*

Q. I am assuming that the travelling expenses are distributed over various departments in the same way as salaries. The same explanation would apply to travelling?—A. Yes. You can imagine the sort of travelling which has to take place. At times the people employed in this division must meet together; the head people from different areas would naturally meet to discuss both sound and television matters.

Q. And, for arguments sake, there would be travelling in some of these other categories—engineering for instance?—A. There is travelling involved in every department.

Q. This is more the executive type of travelling?—A. Press and Information Division travelling. For instance, Mr. Frazer quite often and quite properly has to visit Montreal and other centres and do a certain amount of travelling around the country. The item in respect of those expenses would appear here.

Q. Travelling in connection with general administration would appear elsewhere under general administration expenditure?—A. Yes. Under administration.

*By Mr. Dinsdale:*

Q. Mr. Dunton, I assume that Mr. Frazer is not responsible for all those activities itemized in these two lists here. Is he responsible, for instance, for the internal library and information service?—A. His division is, yes. It comes under him.

Q. It is not a part of programming?—A. No. As I say, it has been found more convenient to have that handled by his department. As you can see, it is a form of information. They arrange for subscriptions to all periodicals which are needed; there is a certain amount of background information, but a lot of it is current information. Unfortunately we cannot afford to keep up a big reference library on general subjects.

Q. Mr. Frazer supplies that information to the organization, internally, for program purposes as well as supplying information outside the organization?—A. As I was saying, a lot of the work of the division is concerned with making information available inside the corporation—helping to keep the different parts informed of what is going on—which is not related to the public.

*By Mr. Boisvert:*

Q. Mr. Chairman, I wonder if Mr. Dutton would tell us what type of displays and exhibits are covered by item 312?—A. As we explained we have had exhibits in the Canadian National Exhibition and other big fairs, winter fairs and plowing matches because we have found that the public are interested in getting some idea of how the C.B.C. works.

Q. How about item 313, "Photographic and Art Work"?—A. That would be related to the photographs and that sort of material for publications and some of that goes out to weeklies particularly "mats" and photographs of Canadian artists such as appear in the annual report; for instance, the cost of the annual report is in here and all publications put out by the corporation.

Mr. BOISVERT: Thank you.

The CHAIRMAN: Are there any other questions on this presentation?

*By Mr. Monteith:*

Q. I wonder if we could have a summary of the total travelling expenses summarizing the travelling items under each of these headings as well as the duty entertainment and salaries; total salaries, total duty entertainment and total travelling?—A. Yes, we can have that done.

The CHAIRMAN: Do you have any questions on this report of P. S. Ross and Sons, chartered accountants? I understand you wished to ask some questions on that.

*By Mr. Monteith:*

Q. I just have one or two questions, Mr. Chairman. I notice that they finish up in their letter with the words: "We shall be pleased to supply you with any further information you may require relating to the foregoing". I am assuming that there are further requests going to them or something of that nature and that they are progressing further in their investigation?

Mr. OUMET: That is correct. We have asked them to look into the practical problems of applying some of their suggestions in order to decide whether or not we will accept them. It comes down to a question of verifying first of all the need for what has been suggested, and secondly the cost of doing it; furthermore of assessing the practicality of carrying out any major change at a time when the whole accounting machinery has a very heavy load to take care of because of the advent of television. We are actually getting into some of the more practical problems now. I have not had any discussions with our consultants recently on the matter but I expect to have and will decide then how much further we will go. Their work is finished as far as their survey of the system is concerned as to whether or not the system should be modified. They have made suggestions and now we want more detail about those suggestions.

Mr. MONTEITH: Am I right in assuming that your budgeting, as in the past, has been drawn up more or less with the idea of deciding your cash requirements rather than budgeting on a straight profit and loss as one would in a private corporation?

Mr. OUMET: You see, in a corporation such as ours, we have to make a general plan at the beginning of the year to determine what our program schedules will be and whether we will extend service. Then while this plan is being carried out according to a budget determined at the beginning of the



year, there is a question of making sure that we are staying within that plan in terms of program performance or technical operations and also within the terms of the money made available to us. Our type of business is far from being a routine business because every program changes every 15 minutes every day in every week. On the other hand, the cost of the programs remains pretty well the same from week to week. Many of our charges are fixed charges. We know exactly how much it costs to run a transmitter. We have a certain staff,—except in the case of television where it has been growing very rapidly; but in the case of radio it is fairly stable. The variable elements are with respect to programs which vary individually, but even out in total, week to week and month to month. At the beginning of the year we set out our budgets and allocate amounts for each division and each point. Then it is a question of making sure to give the best possible program service within that amount. If something happens during the year where commercial revenues drop below provisions, we may have in business where the trade goes up and readjustments as you would have in business where the trade goes up and down fluctuating, if not from day to day, certainly from week to week. Where you have more materials to buy if your sales are greater. Our operation lends itself to long term planning.

Mr. MONTEITH: I can understand that, but is not the thinking in the back of your minds when you are preparing this budget more what your cash requirements and cash spending are going to be?

Mr. OUIMET: Yes.

Mr. MONTEITH: Rather than from a straight profit and loss angle?

Mr. OUIMET: Quite right. We have to consider though the same problem of whether we are going to budget for a surplus, a deficit, or come out even.

Mr. MONTEITH: For instance, in your budget you take into consideration capital expenditures which eventually end up as an asset?

Mr. OUIMET: Yes.

Mr. MONTEITH: So you must be budgeting for a cash expenditure and it is not an expense item?

Mr. OUIMET: That is right.

The WITNESS: In our general thinking we have to be quite a lot different from a private organization or government department. If we see, as we have in several past years, the possibilities of considerably more cash we do not raise our expenditures up to that amount at all. We are working in terms of a general plan and policy over a number of years and we may, as we have done over several years, plan to spend a good deal less money than we see coming in that year. We are looking ahead.

Mr. MONTEITH: The fact that you had so much more money this year had no effect on your expenditures?

The WITNESS: No, that is a good example of it.

Mr. OUIMET: We may budget for a deficit or a surplus at the beginning of the year.

Mr. MONTEITH: Cash-wise?

Mr. OUIMET: Cash-wise or otherwise. All these things are related whether on a cash or on any other basis.

Mr. MONTEITH: I do not think I have much more on this report. P. S. Ross and Sons point out on page 1 of their letter:

In particular we have considered whether the corporation's system of accounts should be maintained on a "cash" basis or on an "accrual" basis or whether some other basis should be used.

Then they come along and they recommend the commitment basis.

Mr. OUIMET: That is correct.

Mr. MONTEITH: Then they say in the last paragraph on the first page:

The form of presentation of the annual financial statements is not followed in the monthly financial statements submitted to the management of the corporation.

I can see your thinking on it, but my thought is that in the last analysis the figure at the end of the page showing a profit and loss is the one that counts. That is why I think the accrual basis should be very seriously considered.

Mr. OUIMET: It was the opinion of the people we consulted that we were getting all this information in any case through our system.

Mr. MONTEITH: Yes, but I would say in that respect that your present system is open to a fair degree of error.

Mr. OUIMET: In control?

Mr. MONTEITH: Yes.

Mr. OUIMET: We have very close control of every phase of operation in terms of our budget allocations, cash and commitment system. We know the exact position, particularly in television, and are extending it to radio. When we started television we knew it would be a very complex operation and we set up the commitment system immediately. We know beforehand how much each program will cost, with detailed estimates. Each sub-department has to work within strict allocations and all expenditures are controlled under a very strict system of cost accounting where we know the exact cost, even to that portion of my salary which should go to a particular program. It is a very complete system.

Mr. MONTEITH: Even though you do not immediately bring your invoices under control because the end of each month you accrue those in a lump sum? Is that not right?

Mr. OUIMET: We know more than that. The invoice to us is only one of the stages in the process of a commitment to the point of liquidation. We control the commitment at the time the order is made. If we order a transmitter we may not have the invoice for six months but the important thing is we have spent \$175,000 and it should not be committed for anything else. We know that very accurately. Then later on in the process we get the invoice. The invoice has got to go through to be certified and approved. Take the case of a transmitter; before it is paid, even if it is delivered, we have to make tests which might take 2, 3 or 4 weeks before we decide we will pay and are sure the goods are acceptable. We have the control at the commitment end and at the cash end and can at any time make a quick check to see what invoices are in or are not in. Furthermore, the only difference between our present system and the accrual system would be a few days gain in the financial process towards liquidation because once the invoices are in the hands of the treasurer after certification it is just a matter of a few days before they will get paid so the cash system is perhaps a week or two weeks behind the accrual. It depends on the type of invoice. But generally it is a relatively short interval in the total gap between the times of commitment and payment and we have control at both ends.

Mr. MONTEITH: If you have such a complete control why should the Auditor General in his statement then say the system is not conducive to satisfactory auditing?

Mr. OUIMET: I think myself it is not conducive to the quickest or most satisfactory audit from their point of view. If they come in at any time



they might find it more difficult to audit our system and take more time than if it was kept on the basis you suggested, but that does not affect our control.

Mr. RICHARD (*Ottawa East*): Are you saying that the system you are using is very satisfactory to you from the point of view of operation, but it may be more complicated for the man who wants to make an audit?

Mr. OUIMET: That is true, definitely true!

Mr. BOISVERT: Did the corporation give any consideration to the opinions expressed by P. S. Ross & Sons? Page 3, paragraph 1 of their letter reads as follows:

In our opinion the most effective control can be exercised only through the procedures of recording commitments against appropriations and we suggest that consideration should be given to an extension of the commitment accounting procedures to the records pertaining to the sound service and the international service.

Mr. OUIMET: As this paragraph says, we already had instituted the commitment system on the television side, and we were waiting for the results of our own experience before extending it to the sound and international service. Even before we received this report, instructions had been given to start the delegation of authority and the decentralization of some of the accountants to permit accounting on the commitment basis. When you work on a cash basis, you can do that centrally from headquarters, but for control purposes, on a commitment basis, you have to decentralize to the operating points, and this was in process even before this recommendation was made. Therefore the report only confirmed what we were doing.

There are certain things at the end of the report where it is recommended that we go still further. These are some of the things we have yet to consider. My own impression of these accounting recommendations is very much the same as it would be of engineering recommendations. You can do it the perfect way, but usually the perfect way costs a little more than the practical way.

Mr. MONTEITH: I will go along with you there. I do not think I have any other questions.

The CHAIRMAN: Are there any more questions?

Mr. GOODE: The tone of this report is very favourable to the C.B.C.; and the facts brought out by Mr. Monteith in his very able questioning have proven that point. While most of us are not accountants, we can certainly understand common sense when we hear it, and speaking for myself I am quite satisfied that the C.B.C. have everything under control.

Mr. MONTEITH: I think there is some question however of delinquency in getting that situation corrected.

Mr. CARTER: Is this report to be part of the record, Mr. Chairman?

The CHAIRMAN: No. Are there any other questions?

Mr. DINSDALE: At page 48 of the report—apparently Mr. Monteith has some further questions to ask on the balance sheet.

Mr. MONTEITH: I have just one or two questions on the liability side, and that will clear up the balance sheet. Getting back to the superannuation fund, I notice there is an expenditure charged of \$30,000 for amortization of pension expenditures. Where was that set up? Was it in the deferred assets? How much is still unamortized?

Mr. BOISVERT: Would you please indicate the page in the report you are referring to?

Mr. MONTEITH: Yes. I am referring to page 48 of the annual report, at the bottom of the page where it mentions "Amortization of Pension Expense, \$30,000". Now I go back to the balance sheet.

Mr. BOISVERT: Is that in the last report?

The CHAIRMAN: Yes, the last report, the annual report for 1953-54.

Mr. MONTEITH: On page 48 there is shown "Amortization of Pension Expense, \$30,000." I am assuming that it is in other administrative expenses some place; but when you originally paid out the amount you are now taking as \$30,000 in this particular year, you took it out of deferred assets and charged it to expenditures. Am I right?

Mr. OUMET: That is correct.

Mr. MONTEITH: How much is there still to be amortized?

Mr. OUMET: I understand that there is only one more year to go to amortize the past services, and the amount would be in the order of \$20,000.

Mr. MONTEITH: That would clean up the past services?

Mr. OUMET: Yes.

Mr. MONTEITH: Yesterday Mr. Dunton mentioned that this was an annuity type of pension. What did he mean?

The WITNESS: I meant that it does not operate through its own fund. The annuities are purchased first from the government, and those in excess of the government limit are purchased from insurance companies.

Mr. MONTEITH: They would be purchased annually, and you would pay the government and the insurance companies for them annually, for the current contributions?

Mr. OUMET: May I ask Mr. Marcel Carter, one of our executive assistants, to give you some more details of the pension scheme.

Mr. MARCEL CARTER (*Executive Assistant*): Contributions for the pension fund are deducted from the salary of the employee. Some contributions are deducted monthly from the salaries of employees and are turned over to the annuities branch of the government and to the insurance companies. The corporation periodically—I believe every three months—meets the total of the contributions of the employees.

Mr. MONTEITH: Through the same source?

Mr. MARCEL CARTER: Yes; and an annual statement is made on each individual account.

Mr. MONTEITH: At the end of 1955 all the past service will be paid up, and annually there after you will be on a current basis?

Mr. MARCEL CARTER: Yes.

Mr. MONTEITH: All these accounts payable are for trading accounts, I presume. What are your terms of payment? How do you pay? Is it on the fifteenth of the following month, or on the thirtieth of the following month?

Mr. H. BRAMAH (*Treasurer of the Canadian Broadcasting Corporation*): We have no set day, but we do try to get everything paid within thirty days provided we have the information available. Sometimes invoices do not get to us and of course we cannot pay them.

Mr. OUMET: I gave you an example in the case of the transmitter equipment which had first to be checked and tested.

Mr. MONTEITH: In respect of the loans from the Government of Canada I notice that at the end of the 1952 year the total sound loan was \$3,250,000, which remained the same right up to the end of the 1954 year. At the end of 1952, under television, you had \$6 million. You borrowed an additional \$2 million in 1953, and an additional \$4,750,000 in 1954.



I notice you also have your investments on the assets side, and you have government of Canada loans to an amount of \$16 million; some of those interest rates are up as high as four per cent. What are you receiving on your investments on the assets side?

Mr. OUMET: Generally I can say that it varies with the kind of issue that we can buy; some are at 3 per cent,  $2\frac{3}{4}$  per cent and  $2\frac{1}{4}$  per cent.

Mr. MONTEITH: Is it particularly sound business to have these investments, and to be paying the government four per cent?

Mr. OUMET: I wish there was another way of doing it.

The WITNESS: This is cash being held for capital commitments which we are going to make; therefore we have to buy very short term issues in order to hold this cash, knowing we are going to need it fairly soon. For that reason we cannot get the same rate of interest that is charged by the government. They charge us at a long term rate of interest.

Mr. MONTEITH: Are you going to spend \$9 million this year up to the thirty first of March, 1955 on capital expenditures?

The WITNESS: No, not this year, but over the next two or three years ahead.

Mr. MONTEITH: You will spend \$4,750,000 by the end of March, 1955?

Mr. OUMET: This \$4,750,000 will cover various projects which are under way, and it is sometimes difficult to say whether they will take eleven months or thirteen months, and that is enough to put you into the next fiscal year. But these loans are for specific projects which are under way, and it will not take three or four years to spend that money.

Mr. MONTEITH: At the same time you had \$9 million invested at from anywhere up to three percent. Let us say, for the sake of argument, that you are piling up money a year ahead of your actual requirements.

Mr. OUMET: No, no. There is an overlap between years, due to the fact that we have to get this loan at particular times during the year; there may be overlap between two years, sometimes between three years; but the total amount we borrow is never more than, of course, what we need, because we have to pay interest on these things, as you can see. Furthermore we have to reimburse the principal sum, starting, I believe, this year.

Mr. MONTEITH: You have got \$5 million cash, and \$9 million invested, making a total of \$14 million.

Mr. OUMET: We need quite a bit of cash as working capital.

Mr. MONTEITH: All right, but that would not be more than a couple of million, would it?

Mr. OUMET: It is around that order.

Mr. MONTEITH: Let us say two or three million; and if you take two or three million off, that still leaves you \$11 million or \$12 million which you have actually available in cash or bonds. Why would you borrow that \$4,750,000 from the government since, on your requirements, you do not need it in the whole year 1955?

The WITNESS: If we are going, as we have gone, into big capital expenditures for television equipment across the country, we cannot do it any other way and be absolutely certain that we have a loan from the government with which to carry out these projects.

Mr. MONTEITH: The loan is authorized, but you do not have to take it.

The WITNESS: You have to take it from the government in the year in which it is authorized, otherwise it lapses, and then where would we be left? Somebody points out that we are getting right back to this "cash" question.

We have to take the loan in the year it is authorized, otherwise it lapses and we are left with big capital commitments and no money in sight.

Mr. MONTEITH: I never knew of a private corporation which was financed quite as easily.

Mr. OUIMET: We may want to start on a project which may cost \$2 million. Before we start it we want to be sure that we have the money. If we do not take the money, the loan lapses, and we are no longer sure of getting it. Nevertheless the project is committed. We could not operate in that way. If we attempted to do so we would be taking too great a risk, and we might not be able to pay.

The Hon. Mr. McCANN: As you know, they cannot go to the bank at any time and borrow.

Mr. MONTEITH: I appreciate that; but I cannot see why there should be \$16 million on the liability side for which they are having to pay four per cent, and there is \$14 million on the asset side on which they are getting very, very much less.

The WITNESS: I think it is less than four.

Mr. MONTEITH: The average loan is either four or up to four.

Hon. Mr. McCANN: It is four or higher.

Mr. OUIMET: We would be glad to get a lower rate on our loans.

Hon. Mr. McCANN: You get the same rate on your loan from the government as is given to other corporations to whom we loan money. There is well established policy on that.

Mr. MONTEITH: You made a profit last year of some \$6,500,000; and when you went into this year, 1954—that is ending 1954—I am arguing that you did not know how your year was going to finish up. You did not know what television sales were going to be; and as a consequence you did not know what your income was going to be.

Mr. OUIMET: We budgeted for a surplus, but not that much. The interest of the Canadian people in buying television was even greater than the most optimistic expectations.

Mr. GOODE: And a good share of it came from British Columbia!

Mr. DINSDALE: Hear, hear, Tom!

Mr. MONTEITH: Is it assumed on account of this profit that has accumulated that it will be used for some future capital expenditure instead of making special votes for it?

Mr. OUIMET: That is correct.

Mr. MONTEITH: Are you going to undertake to pay off any of the old loans you have made?

Mr. OUIMET: We are starting to pay next year the first payment of principal on the first loan, and then we have some 23 years of fairly large payments to make.

Mr. MONTEITH: I think you are going to have 23 years of pretty easy going if this keeps up.

Hon. Mr. McCANN: May I ask you a question, Mr. Monteith? I am not an accountant; you are. Is it properly called a profit?

Mr. MONTEITH: No, it is tax money that the Canadian citizens are paying.

Hon. Mr. McCANN: That is right, that is where it came from,—taxes—but it is not an operating profit.

Mr. MONTEITH: Well, it would be run better on a straight business-like basis, I would think.



Mr. BOISVERT: But it is.

Hon. Mr. McCANN: I do not think there is anything there that is not business-like.

Mr. MONTEITH: I am referring to the profit—it is a profit in that year.

Hon. Mr. McCANN: Call it a profit if you want, but it is not an operating profit.

Mr. MONTEITH: Well, it comes from the taxpayers, that is true.

Hon. Mr. McCANN: All the money in the country comes from the taxpayers.

Mr. OUMET: In connection with this matter one point which must not be forgotten is that all our expenditures, both operating and capital for new projects and development, finally come from our annual revenues. This is because the loan we have to make if we do not have enough money to meet capital expenditures must be repaid out of operating revenue in future years. Thus in the average we must always make operating surpluses from year to year if we are going to finally pay for all our capital development.

Mr. MONTEITH: Yes. Your reserve for depreciation is presumed to look after paying off the loans—the money is there which was actually spent on the capital projects; that is the theory of depreciation. You are supposed to provide money to pay it off.

Mr. OUMET: If you fund it, or if you can borrow on your assets, yes. But in our case our assets will just keep going up unless depreciated at a very fast rate. Since we cannot borrow on our assets, our surplus is going to increase as we build new things with money coming from our operating revenue. You see, it is an entirely different thing from the usual commercial company.

Mr. MONTEITH: In my opinion it is still a business project.

Mr. OUMET: It is run on a business basis, but under conditions which are not usually found in a normal business.

Mr. MONTEITH: I still do not see why you have to borrow so much money, however—

Mr. GOODE: Mr. Monteith, maybe you and I can look forward to the time when we get a commitment from the C.B.C. to the government of Canada that they would be willing to accept less money from us than they are receiving now.

Mr. MONTEITH: That will be the day! Under devaluation of investments you just automatically adjust that every year to bring it down to the market value?

Mr. BRAMAH: Yes, sir, that is right.

Mr. MONTEITH: And this reserve for Capital Development at the end of 1951-52 was \$3,000,000, was unchanged in 1952-53 and an item of \$1 million was charged to surplus in the year 1954. What is the capital development and why was it increased a million in the last year?

Mr. OUMET: It is simply because we foresaw that we would have to do more things capital-wise than had been foreseen the previous year and we allocated part of our operating surplus to that reserve.

Mr. MONTEITH: You have to spend more money on capital than you have been authorized to do under the special loan, is that it?

The WITNESS: You will notice that comes from the sound broadcasting balance sheet. That is really an accumulated surplus in sound which is ear-

marked for use on capital. We have not borrowed any money for capital development in sound for a long time. That is earmarked by the corporation for capital needs in sound.

Mr. MONTEITH: I think that is all I have to say about the balance sheet, Mr. Chairman.

*By Mr. Carter:*

Q. I wonder if the witness could tell use what his predictions are concerning the sale of television sets for the coming year, and how it compares with last year? Do you expect your revenue for the current year to be the same as the revenue for the previous year, or do you expect it to be lower or higher?—A. It is very hard for us to estimate that accurately at all, as we can do with our own operations. This is a guess as to the radio and television sets which the Canadian public will buy, and the price which they will pay for them and so on. Our guess is that the revenue on the television side will be down a little from the past year which was extremely high because of the great rush to buy sets as the general manager pointed out. We find it particularly difficult to estimate concerning radio sets although we think it may be down a little bit again this year. However, it may be about the same as for 1954-55.

Q. Have you given any thought to long-term predictions for periods of perhaps three or four years ahead as to what likely would be the trend in television?—A. We have tried to do some guessing and it is difficult for us to see that there will not be a considerable drop in the yield of the excise tax on television sets simply because such a high proportion of the public will have bought television sets. It is difficult to predict with any accuracy but as we see the percentage in areas served by television or shortly to be served growing it simply means there are less potential customers left, and therefore the figure is bound to come down.

Q. Are there any figures on the average price of the sets which the public buy?—A. Our people have done some work on it, but it is difficult to do and they have not been able to come up with any really accurate figure.

Mr. OUMET: The important factor there is that it has been coming down; the average price has been coming down considerably over the years.

Mr. CARTER: With lower prices and lower revenues.

Mr. OUMET: A lower revenue per set.

Mr. CARTER: The point I am trying to make is this: even if the number of sets sold keeps up, there will be a drop in revenue because of the tendency toward lower prices?

The WITNESS: That is right.

*By Mr. Goode:*

Q. That does not cover the situation entirely because the more private stations which are set up in Canada the more sets are going to be sold and the more money the C.B.C. will get?—A. In a number of areas in Canada where there is only one station, sales of sets have been greater than in corresponding areas in the United States where there may be more than one station.

Mr. BOISVERT: Have you any idea of the number of sets in operation at the present time?

The WITNESS: It is around 1,400,000.

*By Mr. Studer:*

Q. I understand that television facilities are available to 75 per cent of the people now?—A. Just about that number.

Q. That would be an indication of what the prospects are for the future, would it not? Only 25 per cent of the people are now left without any service.



That figure would indicate the prospect for the future.—A. In general of that 75 per cent who are now served about 50 per cent are estimated to have bought sets, making this a question of how high that percentage will go. We think it will rise very high—to 80 or 90 per cent at least; and then there are some more areas to be covered. But the potential market is not as big as it was two years ago by any means.

Mr. OUMET: If you take the total number of homes in the country—about 3,800,000 homes—and if you take 75 per cent of that number within the coverage area of transmission it comes to something of the order of 2,800,000, and we have about 1,400,000 sets now, so we are at the 50 per cent mark. As far as those areas covered by television are concerned, obviously it is easier to cover the first 50 per cent than it is to cover the last; as a matter of fact you will never attain complete coverage or complete saturation of those areas. So in terms of sales, obviously volume has to ease down—I would say possibly in the next few months.

*By Mr. Goode:*

Q. Then what would be the position of the C.B.C. when this source of incoming monies is exhausted? It will have to come back to the government of Canada for more money than it is getting now. That is the position is it not? —A. It looks to us as if it is inevitable that the yield of the excise tax will go down somewhat.

*By Mr. Dinsdale:*

Q. On this point I am curious to know if the C.B.C. has done any preliminary thinking in connection with this “pay as you see” approach to television? —A. We have done quite a lot of thinking and studying on it.

Q. Have you drawn any conclusions with regard to your television problems? —A. We cannot see how it can apply to national television in Canada. All sorts of questions would arise. In some areas free television would be available from the United States. It would be an extremely expensive thing to put in all across the country—to equip every set with it. There are other considerations, such as the question of whether the public would be interested at all, bearing in mind the great nuisance of having to buy cards or put money into a set before programs could be received. So far we have thought that the complications are real enough to prevent any practical consideration of it in relation to national television in Canada.

Mr. STUDER: While the corporation is publicly financed we would have a double “pay as you see” situation.

Mr. DINSDALE: I would gather from your remarks that you have done considerable thinking about this.

The WITNESS: Yes, but I do not say any of our thinking has led to any final conclusion. We have watched with great interest what has been done in the United States, but we have not seen how it can be applied here.

Mr. OUMET: In the United States “pay as you see” television has been discussed for years. All along they have had the same problems, and the same questions have arisen in their minds as to just how it would work out. It just happens that right at this moment the matter is finally being studied by the FCC and it will be very interesting to see just how long it takes to put “pay as you see” television into operation. And, if they do decide to introduce it, to see whether in practice it has the merits which people claim for it. It is a new thing which reminds me of some of the other developments in electronics or television over the years—usually it takes a long time before they come to a really practical application.

Mr. BOISVERT: Is the Bell Telephone Company not studying the question too?

Mr. OUMET: They may be, but it would be in connection with one particular system of "pay as you see" TV where the facilities of the telephone company are used to send signals to a receiver for "unscrambling". But there are other systems being used where this would not be necessary.

The WITNESS: The thinking in the United States about "pay as you see" television is largely related to getting the equivalent of admission fees for special performances—big and striking events. There has not been much done about relating it to a general service.

Mr. KNIGHT: If the standard of television in the United States goes on deteriorating I think there will be a lot of people prepared to pay in order not to see it. I myself think there should be a way by which you could pay a little extra and get the thing to stop. I am quite serious about this because I have noticed that a good many organizations in the United States are getting together in order to try to protect themselves against television.

Hon. Mr. McCANN: If you are still able you can turn it off.

Mr. KNIGHT: Maybe you are in a favourable position. Some members of the committee may still have control of their own sets, but men who have families from the ages of seven to eight up to between nineteen and twenty would probably be prepared to confess that they have not got too much control of the television sets in their own homes.

Mr. DINSDALE: I noticed, Mr. Knight, that the B.B.C. is taking television off the air at certain hours of the day in order to assist parents in controlling their children. Has the C.B.C. contemplated taking similar measures?

*By Mr. Carter:*

Q. Could Mr. Dunton tell us at what time in the future he sees capital expenditure on television levelling off? It has been moving gradually upwards over the past few years.—A. You are referring to capital expenditure?

Q. Yes, to your total cost. Your capital expenditure.—A. With regard to capital the rate to which we must look forward each year will not be increasing, but with respect to the operating costs we will have to contemplate a considerable increase as we proceed to "fill out" the operations of the system as planned now.

Q. Do you contemplate an increase every year?—A. For several years because there are facilities which have been authorized or which are under construction now and as these come into operation the costs in respect of these facilities will increase.

Q. But at the end of that development period, say in four or five years, your expenditure should be uniform year after year?—A. That would depend on general public thinking and policy at the time. As far as we can look ahead now we contemplate the filling out of the system as at present planned.

Q. How long do you think that process will take—to fill out the system as planned?—A. About four years, probably. Again that will depend on circumstances at the time. For instance, in three years we will have the network complete across the country from coast to coast—from Nova Scotia to British Columbia. But by that time additional private stations may have come in in the more outlying areas, and there will be a question of extending the network to them. More of our own stations may be required. We cannot tell exactly what the situation will be.

Q. It will be limited to some extent by the number of channels which are available. There are only a certain number of channels, and when they are used up you cannot go beyond that.—A. That does not really relate to our



problem. In most cases there are plenty of channels available in outlying areas which would cover people who have not got television at all now. If it were decided that the C.B.C. should put in the relay type transmitters which we were discussing earlier in this committee, then of course, additional operating cost would result.

Q. Assuming that your total expenditure for television levels off after four years from now, it will not start to surge up again until colour television comes in?—A. I should have put a *caveat* in all this. What I have said is apart from the question of colour. At some point—I do not think anyone knows when—colour may start to develop fast. It may develop rapidly in the United States and there will undoubtedly be a demand for it here, and the question will then arise whether we should start colour television in Canada. That would depend largely on the question of the production of sets and their cost, and it would of course involve fairly heavy additional expenditures on an operating basis.

Hon. Mr. McCANN: It should be pointed out to Mr. Carter—and I am only suggesting it to Mr. Dunton—that even where we have facilities perhaps we have not looked far enough ahead with reference to capital expenditure. I think that if we are in this business at all we ought to look ahead twenty-five to fifty years. Last year I visited the west and took the opportunity of seeing all the C.B.C. stations. We have a good station in Vancouver and another in Winnipeg, but I do not think we have anything like the facilities, capital-wise which are going to be demanded within a very short time.

Mr. MONTEITH: They have been demanded for Vancouver in this Committee.

Hon. Mr. McCANN: I am glad to hear that. In Vancouver, although we have a splendid property, it lacks sufficient room for studios, and other property round there will have to be bought and extensions made. I am basing that statement on the experience in Toronto. We built a splendid building there on Jarvis Street. We have a grand property which houses both sound radio and television. Before we got through with that we put another two stories on it. Even at that we have had to rent quite a bit of property in Toronto for C.B.C. use. My ideal conception would be that all our facilities should be located within the one block. We have room enough on Jarvis Street if we had the money to proceed. But you have got to do one thing at the time, or at least only a few things at a time. We cannot concentrate all the expenditure in Toronto at the expense of other cities.

I would say that one of the cities which is well equipped with reference to both sound radio and television with respect to capital and facilities is the city of Montreal. We have got as fine a studio in Montreal as there is anywhere in the world. We have not as good studios in the other places I have mentioned—studios which will meet the requirements with reference to operating and capital expenditures which we are going to need within a very few years. So that capital expenditure, I do think, over the next few years, is going to be extensive. Would you agree with me on that, Mr. Dunton?

The WITNESS: Yes, I am glad you said it, too.

Mr. GOODE: I, too, am very pleased that the Hon. Minister said that because it gives me the opening to tell Mr. Dunton that the cost of property in Vancouver is mounting very rapidly and that there is a part of the lower main land of British Columbia called Burnaby where you can buy property and get it at a much more reasonable price than you would have to pay for land in Vancouver, and I am sure that the reception obtained from a station there would be better. I cannot understand why you are buying expensive property down town in the city of Vancouver where I would think the facilities are much more limited than they would be on the eastern boundary of Vancouver. You could buy or build property in Burnaby at a much more favourable location and at perhaps a third of the cost you are going to put in the next few years.

The WITNESS: I think the location we have in Vancouver is a pretty good one, and we were able to purchase economically the shell of a building which is just right for our purposes, and if it is to be extended further I think the cost of land will be relatively small with respect to the total cost.

Mr. MONTEITH: Does this not get back to the point that after all this is not a producer organization in that the money comes from all the taxpayers of Canada and as a consequence all these capital projects and so on have to be considered in the light of just how far the taxpayers will go.

The CHAIRMAN: Are you addressing the question to me, Mr. Dunton or Mr. McCann?

Mr. MONTEITH: Perhaps Dr. McCann.

The WITNESS: I have been suggesting at different times pretty much the same thing. Through the years we think in general the national service will be as good as the television public wish to make it by their contributions plus what we can put into it by work and by commercial activity, but it cannot under Canadian conditions be more than made possible by the means provided. I think it is worth mentioning almost all the funds so far have come from the purchase of television sets apart from the loans, and presumably all the loans will be amortized, if we continue on the same basis, from the television public.

*By Mr. Carter:*

Q. Following up Mr. Goode's thinking, Mr. Dunton, could you tell us how many millions of dollars of expenditure you foresee in Vancouver in the next 2 or 3 years?—A. That would depend on the other circumstance we have been mentioning. We have a plant costing about \$1½ million there now. Our biggest problem is not the capital expenditures but annual operating costs for operating facilities each year. What we will do in Vancouver 2 or 3 years from now will depend on the funds available to the whole system for producing and distributing programs. I would think it would be desirable to have greater facilities in Vancouver in a fairly short time—highly desirable. Whether we will have the funds to build them and then to operate them we do not know.

Q. If you do have the funds what expenditures do you have in mind?—

A. The obvious thing is another studio, and very important is additional space for offices and the general administration work. For instance, there will be some distribution down there. It is an important point in the system.

*By Mr. Goode:*

Q. Where are your offices situated in Vancouver now? Are they in the Hotel Vancouver?—A. The regional offices are there.

Q. Why do you keep offices in a very expensive hotel when other facilities might be available or be built perhaps in an outside area like Burnaby—if I might use that name?

Mr. OUMET: We have found they are not the expensive locations which one would be inclined to think. Over the years the cost of our arrangements in Vancouver, considering the convenience and advantage, has been less than if we had been in some other location.

Mr. GOODE: How much do you pay the Hotel Vancouver?

The WITNESS: It is a good deal lower than we would have to pay now for office space in the larger cities anywhere in Canada.

Mr. GOODE: How much?



Mr. OUIMET: We prefer not to give exact figures on any of our dealings in commercial arrangements.

Mr. GOODE: I think this committee is entitled to know the cost of rental of your office and some studio facilities in the Hotel Vancouver. I am trying to point out—rightly or wrongly—that you could save money in the city of Vancouver. I could be wrong. How much does it cost? I do not want to know exactly to the dollar.

The WITNESS: Mr. Chairman, this is a question which has come up many times and I think that the committee has always granted that it could handicap the corporation if we gave exact figures. We would be glad to give it to Mr. Goode privately.

Mr. GOODE: No. I could not accept it privately because I would want to use it perhaps in this committee. Perhaps I should leave it the way it is. I have some confidence in the C.B.C.

Mr. STUDER: Before the money is all spent in Vancouver would this be an opportune time to ask in relation to that 75 per cent of the people who are in a position to have service from television, either the C.B.C. or some other station, what the plans are in regard to the areas that are not now serviced, or that other 25 per cent of the people that one would think should have the same right to expect facilities? They are taxpayers the way other people are and there may be areas where they would be demanding some service. If it could not be supplied by a private television station they would be expecting the C.B.C. to supply it. Are there any plans in respect to that being advanced or in the making and if so how would it apply? Supposing there was an area of 100,000 people or more, or whatever it might be, who could be supplied television through a C.B.C. station, would it be in their rights that they could apply for service the same as Vancouver applies for service, or Winnipeg or some cities? Those fringe areas I think should have consideration and no doubt have had consideration in your contemplations, but I am living in an area in southwestern Saskatchewan where we have a mountain much higher than that mole hill of Burnaby and we could cover a very extensive area in the Cyprus hills area of the southwestern part of Saskatchewan; a station there would cover over 100,000 people. I was wondering if there are any arrangements where, if it can be shown there are 100,000 or 60,000 or 200,000 people, whichever would be the minimum, whether the C.B.C. at some time would accept an application from the people in that area for service? Perhaps I have not been explaining myself very well.

The WITNESS: I think I understand.

The CHAIRMAN: Have you a particular area in mind?

Mr. STUDER: I would say any area if there was the required minimum number of people, say 100,000; would they have the right to get the service? I have a particular area in mind I can assure you, but I do not want preference to that area or any other. But I think there will be people demanding this service in areas such as my area which has a height of land between 3,000 or 4,000 feet covering a very extensive area for telecasting where perhaps they might have a little more preference over some other.

The WITNESS: Under the present licensing policy areas, other than those in which there are present public or private stations, are open for private applications. Secondly, the C.B.C. is authorized now only to have stations in those six areas. We have no further authorization.

We ourselves think that it would be desirable at some point in the future to help to fill out the coverage in Canada through publicly owned facilities where it has become apparent that others would not be built. But doing that

would depend on our being licensed and authorized to do it, and also very much on the funds which we would need to operate those facilities.

Naturally enough, probably a number of areas would express interest if we had the authorization and the money in sight, but we would then have to consider in what areas we could do the best job; and we would naturally try to bring the service to the most people with the least amount of money.

Let me put it this way: that our general thinking is to serve all possible Canadians with television service as well as with sound broadcasting to the extent to which it can be done through public or private channels, and that it would depend chiefly on the financial resources available.

Mr. STUDER: As far as private services are concerned, one would come to the conclusion, I imagine, that private television would be more interested in places like Vancouver than in other places; and they would hesitate to extend their activities into what might be called the fringe areas. I wonder if in a place where great population is centered it would not be more advisable to leave it to private television to cater to the people there, and have our C.B.C., which is publicly owned and operated, extend its facilities to people who have just as much right to it in those areas where private interests would not enter? One thing must follow another. Perhaps I do not make sense, but there are people who are interested in this matter.

The WITNESS: We need facilities in main regional areas in order to be able to produce programs. But apart from that, the services are being extended now through a great many private stations in areas with populations of different sizes, some pretty big and some a good deal smaller. However, there would still be a cost on the national system whether it was done through private stations or through our own facilities. And we think it is desirable, if possible, to extend the coverage over the country as widely as possible.

Mr. BOISVERT: May we not go back to the financial statement and try to see if we can finish with it today?

The CHAIRMAN: The delay was because of these improvements. I think Mr. Dinsdale has a question.

Mr. DINSDALE: On page 48; I started out a short time ago but perhaps it is now too late to carry on this morning.

The CHAIRMAN: Mr. Carter has a question.

Mr. CARTER: I wanted to make sure that I understood the answer which Mr. Dunton gave to me. He said that the facilities at Vancouver cost around \$1¼ million.

The WITNESS: Yes.

Mr. CARTER: A second studio there would cost about the same order?

The WITNESS: Not as much as that.

Mr. OUMET: No, not as much; let us say, three-quarters of a million dollars.

Mr. CARTER: You say three-quarters of a million dollars, and that would be just for the facilities alone. I would like to ask this one question. It may be that it has already been answered. Mr. Dunton mentioned that coloured television would be the next big climb in expenditure. Has the C.B.C. done any experimenting on it?

The WITNESS: No, because experimenting and research in colour is very expensive. We have not the funds to do it and we do not feel we need to because people in the United States, as well as some others, are putting a great deal of money into it and we study their results.

Hon. Mr. McCANN: Three years before we started television at all, along with certain members of the Board of Governors I visited New York. We



found at that time that Columbia, Dumont, and National Broadcasting had spent \$50 million on experimental work, even before black and white television was anywhere near the stage it is now.

The advice I gave—perhaps it was proper advice—to our directors, was: we have not got that type of money over in Canada; and while we might be accused of hanging on to the apron strings of the United States, we saved this country from \$10 million to \$20 million on what would have been experimental work. There was the freest interchange between the United States and Canada. There is no tariff on knowledge and scientific development.

Mr. DINSDALE: That is a wonder!

Hon. Mr. McCANN: They acted more than courteously and honourably with us in making available to us every bit of information there was. The experimental work was done by them and not by us, and it saved us an enormous amount of money.

I was in New York a year ago last fall when I had an opportunity of checking the more recent developments in colour television. A colour TV set at that time was worth about \$2,000 or \$3,000. But how many people in Canada are in a financial position to purchase a set at that price? There would be just about the same relationship as there is between those who purchase Cadillac cars and those who purchase Fords and Chevrolets. It would depend on the number of people who would be prepared to spend the money. Therefore until we get to the position where colour television sets can be offered to the public at reasonable prices, we will have to get along with black and white.

Mr. MONTEITH: That seems reasonable!

Hon. Mr. McCANN: That is true; and I figured that the saving to Canada was enormous. Had we been in experimental work—this was all talked over a long while before Dr. Frigon died; and when he retired as General Manager, we kept him on as an officer who was doing planning and giving advice; and it was at that stage that Mr. Ouimet and other officers whom we have in the television field, visited the old country; they visited Italy, France, and the United States; and we sent fellows to New York to attend schools. They went at their own cost in order to learn something about what was entirely a new development in this country. You could not pick up anyone at that time who knew about it. People had to go away and take the training. Then they were given positions with us. That was the time, and Mr. Ouimet was probably better versed in television than any other man in Canada. He went to the old country and made studies and investigations. I thought this would be of interest to the members of the committee. That is why I have related it.

Mr. BOISVERT: I am glad the minister has made that statement. It is a very important one and I think it should be known throughout Canada.

The CHAIRMAN: We have worked quite well this morning, and I must ask the committee if they are through with finances?

Mr. BOISVERT: Yes.

The CHAIRMAN: In the last report of the agenda committee we mentioned the possibility of asking Mr. Browne of the Department of Transport to be here next week. If we finish with finances at the morning sitting on the 17th, we could call Mr. Browne in the afternoon. Do you think we could deal with the financial question in one sitting?

Mr. MONTEITH: Yes.

The CHAIRMAN: Very well. We shall call Mr. Browne for Tuesday afternoon.

Mr. GOODE: We will be here.





## APPENDIX "A"

1. Canadian Broadcasting Corporation—Press and Information Expenditures by Object, Sound Broadcasting and Common Services, from 1st of April 1953 to 31st of March 1954.

2. Canadian Broadcasting Corporation—Press and Information Expenditures by Object, Television Broadcasting, from 1st of April 1953 to 31st of March 1954.





## No. 1

## CANADIAN BROADCASTING CORPORATION

## PRESS AND INFORMATION EXPENDITURES BY OBJECT

## SOUND BROADCASTING AND COMMON SERVICES

1ST APRIL 1953 TO 31ST MARCH 1954

	<i>Description</i>	<i>Amount</i>
115	Manuscripts & Plays.....\$	780 00
223	Rental—Buildings or Floor Space.....	749 48
292	Blueprints .....	15 57
293	Rental of Equipment.....	116 00
311	Advertisements .....	6,712 76
312	Displays and Exhibits.....	9,572 36
313	Photographic and Art Work.....	33,020 94
314	Printing of Schedules, Publications, Etc.....	98,374 98
315	Mailing and Handling Charges.....	6,547 95
411	Salaries .....	196,692 33
412	Casual Wages.....	3,415 11
413	Honoraria .....	200 00
414	Professional Fees and Legal Expense.....	138 00
421	Traveling Expense.....	4,877 70
422	Duty Entertainment.....	3,203 92
423	Removal Expense.....	3,275 37
424	Membership Fees.....	168 34
425	Superannuation .....	11,688 47
426	Unemployment and Group Life.....	1,378 02
428	Local Transportation.....	181 51
429	Meal Allowance.....	323 75
431	Donations and Prizes.....	180 50
432	Papers, Periodicals and Magazines.....	4,469 42
433	Postage and Excise.....	21,051 78
434	Printing and Stationery.....	4,627 72
439	Incidentals .....	1,030 93
441	Telegraphs and Cables.....	2,376 20
442	Telephones .....	2,147 86
512	Bank Charges.....	74 76
517	Overhead and Supervision.....	13,433 12
		<hr/>
		\$ 430,824 85
		<hr/>



## SPECIAL COMMITTEE

## No. 2

## CANADIAN BROADCASTING CORPORATION

## PRESS AND INFORMATION EXPENDITURES BY OBJECT

## TELEVISION BROADCASTING

1ST APRIL 1953 TO 31ST MARCH 1954

	<i>Description</i>	<i>Amount</i>
122	Rental of Halls and Studios .....	\$ 35 00
293	Rental of Equipment.....	172 82
311	Advertisements .....	13,123 69
312	Displays and Exhibits.....	6,650 03
313	Photographic and Art Work.....	5,923 24
314	Printing of Schedules, Publications, etc.....	649 66
411	Salaries—Personnel Only.....	22,341 75
414	Professional Fees and Legal Expense.....	24 00
421	Travelling Expense.....	95 60
422	Duty Entertainment.....	840 72
424	Membership Fees.....	10 00
425	Superannuation .....	1,068 22
426	Unemployment and Group Life Insurance.....	207 60
428	Local Transportation.....	106 20
429	Meal Allowances.....	24 40
432	Papers, Periodicals and Magazines.....	40 04
434	Printing and Stationery.....	603 35
439	Incidentals .....	116 13
441	Telegraphs and Cables.....	43 85
442	Telephone .....	175 69
		<hr/>
		\$ 52,251 99
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